

MONEY LAUNDERING IN THE 21ST CENTURY: A CASE STUDY

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Madison, Wisconsin

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Internal Revenue Service
Washington, DC

April 16-18, 2002



SPASH hockey prepares for
tournament opener / **Sports, B1**

Stevens Point Journal

Wednesday, February 27, 2002



Employees network at
Business Expo / **See Page Three**

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Pede gets five years in prison for gambling

By WISCONSIN STATE
JOURNAL

MADISON — An Amherst Junction man who ran a multi-million-dollar offshore sports betting operation was sentenced Tuesday to five years in federal prison.

Duane Pede, 52, and Jeff D'Ambrosia, 42, of Henderson, Nev., were also ordered by

U.S. District Judge Barbara Crabb to pay fines of \$100,000 each and combined back taxes of more than \$1.4 million.

In addition, Crabb ordered that their company, Gold Medal Sports, which operated on the island of Curacao in the Dutch Netherlands Antilles, forfeit more than \$3.5 million in earnings.

"I would just like to apologize for my actions and for the

hurt I've caused my family, my friends, my community and my employees," Pede said before hearing Crabb's sentence.

Each will begin their prison sentences March 29.

Lawyers for the men said Pede and D'Ambrosia were unaware of the illegality of their operation when they started it, and only learned that fact later.

Crabb, addressing D'Ambrosia, wasn't persuaded.

"You entered into the scheme as a good way to make money. There are so many of these schemes that people probably think they are legal," she said. "But you stayed in it after learning it was illegal. You also used fraudulent information to pump up your service."

Pede was well-known in the

Tomorrow River area for his support of youth sports and for financing a scholarship.

Pede and D'Ambrosia owned Sports Spectrum LLC and The Scoreboard Inc., which had an office in Nelsonville. For a fee, they provided sports betting lines and sold guaranteed winning picks through their four "insider" handicapper services.

They also offered sports bet-

ting and online casino gambling through Gold Medal Sports and Seven Palms Casino.

The operation took in \$402.7 million in wagers between 1996 and 2000.

Assistant U.S. Attorney Dan Graber said a "second wave" of prosecutions in connection with Gold Medal is coming, though he could not predict when that would happen.

SEALED

DOC NO

IN THE UNITED STATES DISTRICT COURT REC'D/FILED

FOR THE WESTERN DISTRICT OF WISCONSIN JAN 10 11 13 AM '00

IN THE MATTER OF AN
APPLICATION FOR AN ORDER
PURSUANT TO TITLE 18,
UNITED STATES CODE, SECTION
2703

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Case No. 00-0004 M-X-01

UNDER SEAL

J W SKOENIGER
CLERK US DIST COURT
WD OF WI

APPLICATION FOR PRODUCTION OF RECORDS

The United States of America, by Timothy M. O'Shea, Assistant United States Attorney for the Western District of Wisconsin, hereby applies for an order pursuant to Title 18, United States Code, Sections 2703(c)(1)(B)(ii) and (d), directing SAVVIS Communications, 717 Office Parkway, St. Louis, Missouri, to produce:

- (1) all information known to SAVVIS and its employees relating to: Internet Protocol (IP) numbers 216.91.119.36, 216.91.119.37, 216.91.119.41, and 216.91.119.43; Duane Pedde; Jeff Allen; Jeffrey D'Ambrosia; Sports Spectrum; Sports Spectrum Internet Services; The Scoreboard; Tomorrow River Internet Services; Gold Medal Sportsbook and Casino; and Seven Palms Casino and Sportsbook;
- (2) the trace route for all electronic communications between the individuals, businesses and IP numbers listed above and the name, address and telephone number for each entity in that route;
- (3) the name, address and telephone number of the entity or entities which

service the individuals, businesses and IP addresses listed above and, if more than one, which entity sells Internet services to the individuals, businesses and IP addresses listed above; and

- (4) any logs documenting communications between the individuals or entities listed above from December 1, 1999 to the present.

As set forth in the following paragraphs, the United States submits that there are specific, articulable facts showing that the records and information are relevant and material to an ongoing criminal investigation.

1. An investigation conducted by the Internal Revenue Service-Criminal Investigation Division (IRS-CID) and the Federal Bureau of Investigation (FBI) indicates that since 1996, Duane Pede and Jeffrey D'Ambrosia (aka Jeff Allen) have been engaged in off-shore sports bookmaking on the Island of Curacao, N.V.. Currently, Pede and D'Ambrosia have two Internet sites which facilitate sports bookmaking on the Island of Curacao, namely, Gold Medal Sportsbook and Casino (Gold Medal) and Seven Palms Casino and Sportsbook (Seven Palms). These businesses solicit sports wagers from customers living in the United States in states which prohibit sports gambling. Bettors within the United States can place wagers with Gold Medal and Seven Palms over the telephone and over the Internet, using the sites alluded to above. Those wagers, and the transfer of information implicit in those international communications, are violations of Title 18, United States Code, Section 1084 (transfer of wagers and wagering information over wire communications in interstate and foreign commerce).

2. The investigation indicates that Pede and perhaps D'Ambrosia have managed Gold Medal and Seven Palms in Curacao over the Internet from Sports Spectrum Internet Services, a Nelsonville, Wisconsin Internet Service Provider owned by Pede and D'Ambrosia. Pen registers and trap and trace records, pursuant to this Court's orders, indicate that between June 2, 1999 and December 13, 1999, there were on average 378 Internet communications each day between Sports Spectrum Internet Services and either Gold Medal and Seven Palms. During the same time period, these businesses exchanged 1,629,442 packets of information. Because each packet can have as much as 1,500 characters, the number of characters exchanged was a maximum of 2,444,163,000.

3. The investigation indicates that on approximately December 22, 1999, Gold Medal and Seven Palms switched their Internet Service Provider from Antelecom, N.V. to a new Internet Service Provider (ISP). The investigation shows that the new ISP uses IP addresses assigned to SAVVIS Communications. Contacts with SAVVIS communications indicate that the IP addresses have been leased to another ISP. This purpose of this application is to learn the new ISP from whom the individuals and businesses listed above are receiving Internet access.

4. The requested information is relevant and material to the investigation concerning transmission of wagers and wagering information over wire communications in interstate and foreign commerce because the requested information will confirm that Pede, D'Ambrosia and their businesses have begun

to use a new ISP and will provide the United States with the requisite information to apply to this Court for a pen register and trap and trace order.

5. The United States requests that notification to the subscriber be delayed for a period of 90 days because notification could cause an "adverse result" in this criminal investigation as that term is defined in Title 18, United States Code, Section 2705(a)(2). The United States submits that an adverse result could occur because, if the targets learn of this federal investigation, they will likely take steps to avoid detection and frustrate the investigation.

6. WHEREFORE, the United States requests that this Court order, pursuant to Title 18, United States Code, Sections 2703(c)(1)(B)(ii) and (d), that the custodian of records for SAVVIS Communications, 717 Office Parkway, St. Louis, Missouri, produce to agents of the Federal Bureau of Investigation and/or Internal Revenue Service United States Customs Service:

- (1) all information known to SAVVIS and its employees relating to: Internet Protocol (IP) numbers 216.91.119.36, 216.91.119.37, 216.91.119.41, and 216.91.119.43; Duane Pede; Jeff Allen; Jeffrey D'Ambrosia; Sports Spectrum; Sports Spectrum Internet Services; The Scoreboard; Tomorrow River Internet Services; Gold Medal Sportsbook and Casino; and Seven Palms Casino and Sportsbook;
- (2) the trace route for all electronic communications between the individuals, businesses and IP numbers listed above and the name, address and telephone number for each entity in that route;
- (3) the name, address and telephone number of the entity or entities which

service the individuals, businesses and IP addresses listed above and, if more than one, which entity sells Internet services to the individuals, businesses and IP addresses listed above; and

- (4) any logs documenting communications between the individuals or entities listed above from December 1, 1999 to the present.

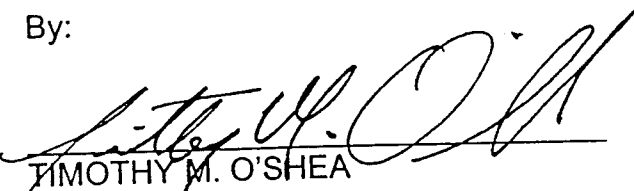
7. The United States also requests that this Court order that the agents and employees of SAVVIS Communications not to disclose the existence of this application and order for production, or any production of records made thereunder, for a period of 90 days unless authorized by this Court. It is further requested that the Clerk of this Court seal this application and the order issued thereon until further order of the Court.

Dated this 10th day of January, 2000.

Respectfully submitted,

PEGGY A. LAUTENSCHLAGER
United States Attorney

By:


TIMOTHY M. O'SHEA
(Assistant U. S. Attorney)

FEB-11-2002 16:55

OFFICE OF CHIEF COUNSEL

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P.03/08

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INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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2002 FEB -7 PM 2:54

DIVISION COUNSEL/
ASSOCIATE CHIEF COUNSEL
(CRIMINAL TAX)

PRES-100068-02

FEB 14 2002

MEMORANDUM FOR DIVISION COUNSEL/ASSOCIATE CHIEF COUNSEL

(Criminal Tax)

CC:CT

Attn: Kelly Davidson

FROM:

Chief, Branch 8

Associate Chief Counsel

(Passthroughs and Special Industries)

CC:PSI:8

SUBJECT:

Applicability of § 4401 to offshore gambling corporations

This responds to your request for technical assistance as to whether the excise tax on wagering imposed by § 4401 of the Internal Revenue Code applies to wagers accepted by an offshore gambling corporation as described below, or whether the tax does not apply because of the territorial limitation contained in § 4404.

An offshore gambling corporation (the corporation) is incorporated in a foreign country where its gambling activities are legal. Its shareholders consist of U.S. citizens and the corporation qualifies as a controlled foreign corporation described in § 957; the corporate officers and employees that control the gambling enterprise and transmit the money to the winners are U.S. citizens. The corporation accepts wagers as defined in § 4421(1). To make a wager, a bettor must establish an account with the corporation by sending a deposit (typically a check or wire transfer) to the corporation or to a designated bank. The bettor may then place wagers with the corporation by sending messages to the corporation's foreign Internet address or calling its foreign toll-free telephone number. Most of the wagers the corporation receives are made by U.S. citizens and originate in the United States. The majority of the corporation's employees in receipt of the wagers are citizens of the foreign country.

Section 4401(a) imposes a tax on certain wagers. Section 4401(c) provides that each person that is engaged in the business of accepting wagers shall be liable for and shall pay the tax on all wagers placed with that person.

Section 4421(1) provides that the term wager means any wager with respect to a sports event or a contest placed with a person engaged in the business of accepting wagers, any wager placed in a wagering pool with respect to a sports event or a contest, if such pool is conducted for profit, and any wager placed in a lottery conducted for profit.

-2-

Section 4404 provides that as to territorial extent, the wagering tax applies only to wagers (1) accepted in the United States, or (2) placed by a person that is in the United States (A) with a person that is a citizen or resident of the United States, or (B) in a wagering pool or lottery conducted by a person that is a citizen or resident of the United States.

Section 44.4404-1(a) of the Wagering Tax Regulations provides that all wagers made within the United States are taxable irrespective of the citizenship or place of residence of the parties to the wager. Thus, the tax applies to wagers placed within the United States even though the person for whom or on whose behalf the wagers are received is located in a foreign country and is not a citizen of the United States. Likewise, a wager accepted outside the United States by a citizen or resident of the United States is taxable if the person making the wager is within the United States at the time the wager is made.

As described above, the wagering taxes are only imposed on wagers within the territorial extent of § 4404(1) or (2). For a wager to be within the territorial extent of § 4404(1), it must be "accepted in the United States." We are of the opinion that, as used in § 4404(1), this refers to the location where the game operator (the corporation) accepts the wager. Further, we are of the opinion that if a game operator accepts a wager at a telephone station or computer terminal¹ located in a foreign country, the wager is not accepted in the United States for purposes of § 4404(1).² Accordingly, the wagers described above are not within the territorial extent of § 4404(1).³

¹ It can be argued that use of a U.S. based "smart server" (a networked computer that stores application programs and data files accessed by other computers in the network and that can execute the core business functions of a corporation without human intervention) establishes acceptance of a wager in the United States. However, neither the IRS nor Treasury has established a position for federal tax purposes as to the effect of the use of a smart server in commercial transactions.

² Under general contract law, a telephone acceptance is effective (takes place) where spoken into the telephone by the acceptor. 1 Williston on Contracts § 82A, at 270 (Jaeger ed. 1957).

³ Section 4404(2), some criminal provisions, and some of the common law of contracts relating to wagering focus on the situs where the bet is placed rather than accepted. However, the territorial reach of § 4404(1) is explicitly based on the situs of the acceptance of the wager. No inference should be drawn regarding the application of the conclusion regarding § 4404(1) to federal criminal statutes or other laws that may apply to offshore gambling corporations.

-3-

For a wager to be within the territorial extent of § 4404(2), it must be placed with a person who "is a citizen or resident of the United States." At the outset the question arises whether it is the citizenship or residency of the corporate representative taking the wager (that is, the individual receiving the telephone call or internet transmission and accepting the wager on behalf of the corporation) and/or the citizenship or residency of the corporate entity itself that controls. We are of the opinion that it is the citizenship or residency of the corporate entity that controls; we do not believe the citizenship or residency of the representative that happens to accept a particular wager controls the incidence of taxation.

As stated above, the corporation is not a resident or citizen of the United States. Accordingly, if the corporation's entity status is respected, the wagers described above are not within the territorial extent of § 4404(2). However, under certain circumstances an entity's corporate status is not respected; its corporate veil may be pierced. If pierced, the wagers placed by persons in the United States may be within the territorial extent of § 4404(2).

A corporate veil may be pierced where it can be shown that (1) the corporation is the alter ego of its owners and/or shareholders, (2) the corporation is used for illegal purposes, or (3) the corporation is used as a sham to perpetrate a fraud. Villar v. Crowley Maritime Corp., 990 F.2d 1489, 1496 (5th Cir. 1993).

In the instant case the corporation engages in substantive business activity in a foreign jurisdiction that legally permits its wagering functions. In National Carbide v. Commissioner, 336 U.S. 422, 433 (1949), the court recognized that the great majority of corporations owned by sole stockholders are "dummies" in the sense that their policies and day-to-day activities are determined not as decisions of the corporation but by their owners acting individually. The court stated that it made no difference tax-wise that a corporate owner retains direction of the corporation's affairs down to the minutest detail. Id. at 431. Thus, in the instant case it can be argued that the citizenship of the shareholders exercising control does not provide grounds for disregarding the separate corporate entity. Additionally, if the purpose of a corporation is to carry out substantive business functions, or it in fact engages in substantive business activity (as the case appears here), the fact that the owners of the corporation formed it to avoid taxes may not be sufficient for the IRS to disregard the corporation for federal tax purposes. Jackson v. Commissioner, 233 F.2d 289, 290 (2nd Cir. 1956). Further, a seller that is resident in one jurisdiction may purposely conduct business by mail or telephone with parties in another jurisdiction and still have its tax status respected in the jurisdiction in which it is located. See, e.g., Quill v. North Dakota, 504 U.S. 298 (1992) (out-of-state mail-order house need not collect use tax of states to which it mails goods).⁴

⁴ In Fisher Flouring Mills Co. v. United States, 270 F.2d 27 (9th Cir. 1959), the court held that with regard to transportation services performed between two points in

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OFFICE OF CHIEF COUNSEL

202 622 6302

P.06/08

-4-

However, you have stated that the corporation may violate certain U.S. criminal statutes when the wagers by U.S. citizens or residents are transmitted to the corporation or winnings are paid out to those bettors. Specifically, the corporation may be in violation of (1) 18 U.S.C. § 1084, Transmission of wagering information, (2) 18 U.S.C. § 1955, Prohibition of illegal gambling businesses, and (3) 18 U.S.C. 1956, Laundering of monetary instruments. Should violation of these, or any other, criminal statutes be established, it may be argued that the corporation is being used for criminal purposes and that the corporate veil should be pierced. Whether efforts to pierce a corporate veil in any particular case will succeed is likely to be fact specific and entail litigation hazards that should be considered.

If you have any questions, please contact Theodore Margopoulos at 622-3130.

the United States, but where the check for the services was paid by a draft on a Canadian bank in Canada, the excise tax did not apply as the statute plainly and unambiguously required payment in the United States. The court makes clear that it is the responsibility of the Congress rather than the courts to remedy statutory loopholes, and that taxpayers may arrange the situs of remittance to avoid tax. Similarly, in Nash-Finch Co. v. United States, 184 F.Supp. 735 (D. Minn. 1960), the court held that where transportation services were performed entirely within the United States but the bill for the services was paid to a Canadian agent specifically to avoid the excise tax, tax was not owing as amounts were not paid in the United States. But see Kellogg Co. v. United States, 133 F. Supp. 387 (Ct. Cl. 1955), cert. denied, 350 U.S. 903 (1955), where the court found that when property was shipped entirely in the United States and payment of a check issued by a U.S. bank was delivered in Canada for tax avoidance purposes, the amount was paid in the United States.

Operation Bon Bini

International Money Laundering

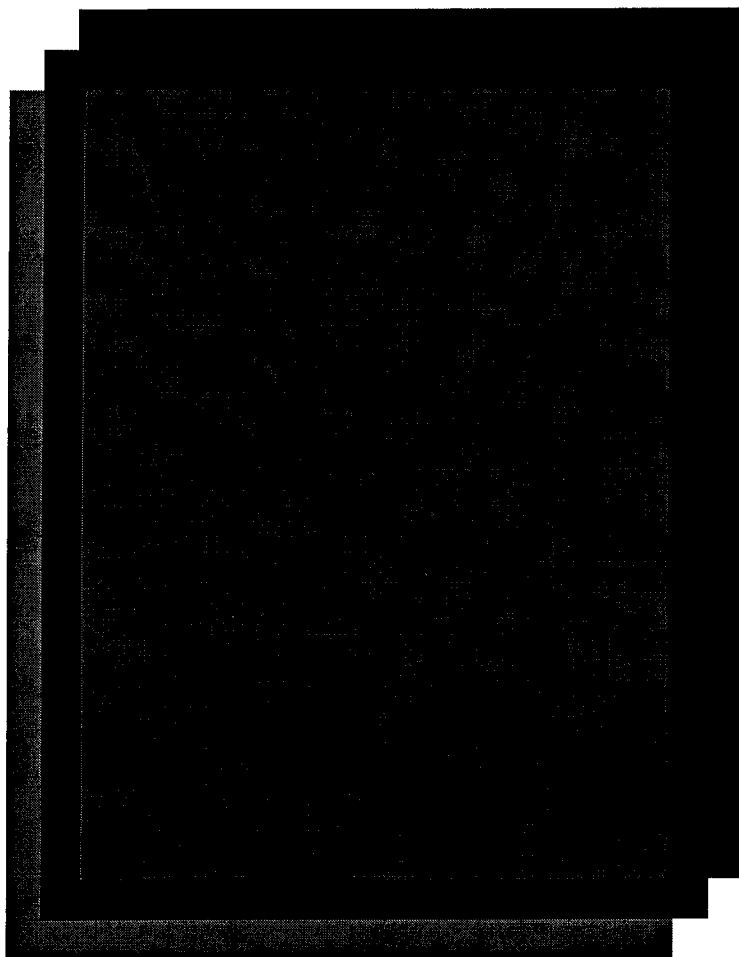
Presented By:

John Brink, IRS-CI

Michael Zeihen, IRS-CI

TOPICS

- International Monetary Flow:
 - Wagering Proceeds
 - Tax Evasion Structure
 - Money Laundering via Tax Scheme
- Investigative Tools & Internet Intercept



OFF-SHORE GAMBLING OPERATION

FOREIGN OPERATIONS

Gold Medal.
Sports
N.V.

DOMESTIC OPERATIONS

SPORTS SPECTRUM LLC

Las Vegas Tout

D'Ambrosia

Wisconsin
Tout

Pede

Communications

- Telephones
- Internet
- Mail

OFF-SHORE GAMBLING OPERATION

U. S. A. G A M B L E R S

Title 18, Section 1084

Use of Wires to
Transmit
Wagering Information

Telephone &
Internet Wagers

Wagering Account Deposits

ISLAND OF CURACAO
Netherlands Antilles

**GOLD MEDAL
SPORTS N.V.**

(Willemstad, Curacao, N.A. N.V.)

Curacao Bank

Gold
Medal's
Account

OFF-SHORE GAMBLING OPERATION

U. S. A. G A M B L E R S

Title 18, Section 1084

Use of Wires to
Transmit
Wagering Information

Telephone &
Internet Wagers

Wagering Account Deposits

ISLAND OF CURACAO
Netherlands Antilles

**GOLD MEDAL
SPORTS N.V.**

Willemstad, Curacao, N.A. N.V.

Curacao Bank

Gold
Medal's
Account

SUA PROCEEDS!!!

Flow of Wagering Proceeds

(Evidence Developed by Undercover Agents)



Flow of Washington Proceeds

ISLAND OF CURACAO
Netherlands Antilles

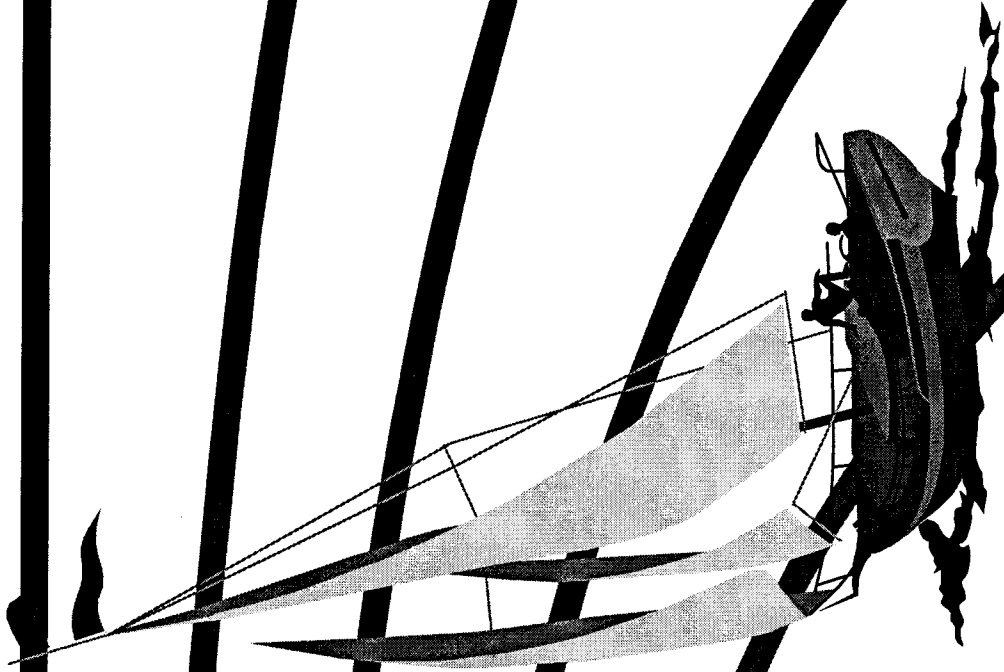
G. M. SPORTS N.V.
(Office)

Willemstad, Curacao N.V.

Curacao Bank

G.M.'s
Account

U. S. A. G A M B L E R S



Flow of Winning Proceeds

ISLAND OF CURACAO
Netherlands Antilles

G. M. SPORTS N.V.

(Office)

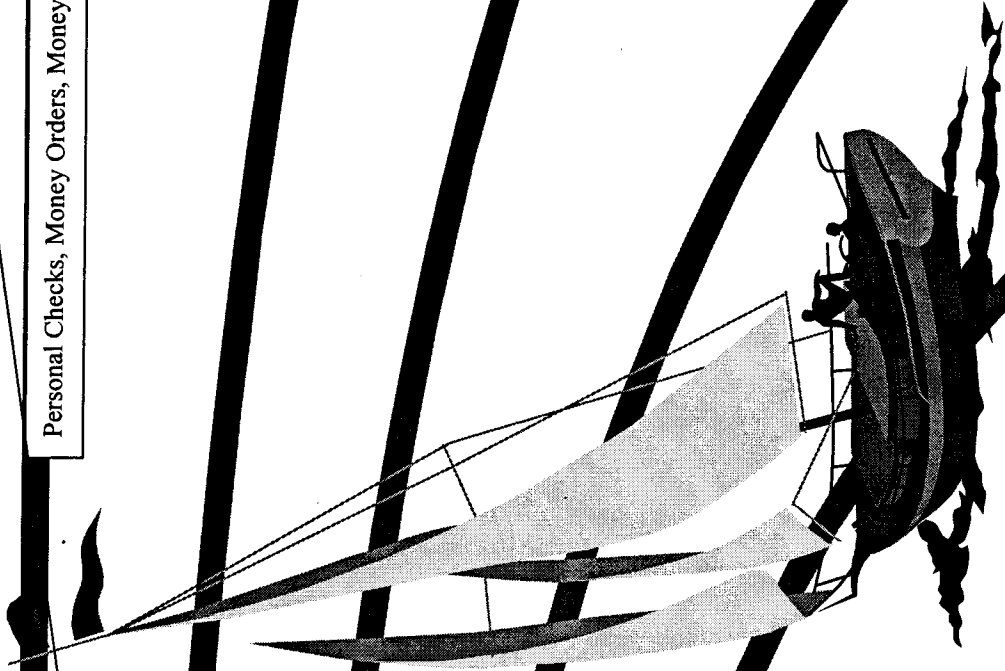
Willemstad, Curacao N.V.

Curacao Bank

G. M.'s
Account

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

U. S. A. G A M B L E R S



International Flow of Funds

ISLAND OF CURACAO
Netherlands Antilles

G. M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

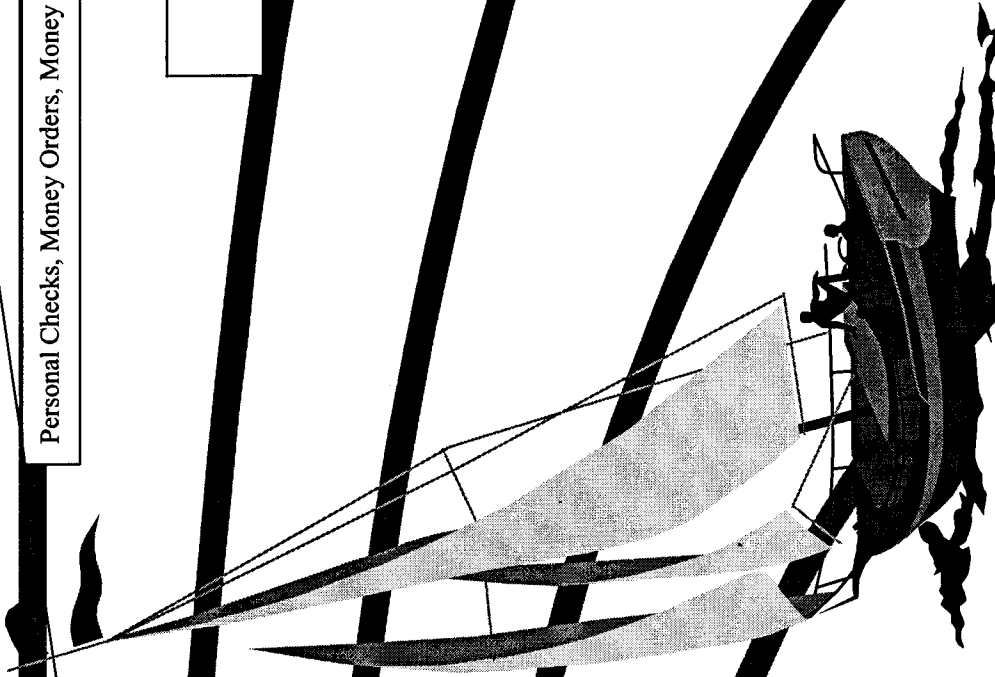
Curacao Bank

G. M.'s
Account

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western
Union

U. S. A. G A M B L E R S



International Flow of Funds

U. S. A. G A M B L E R S

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

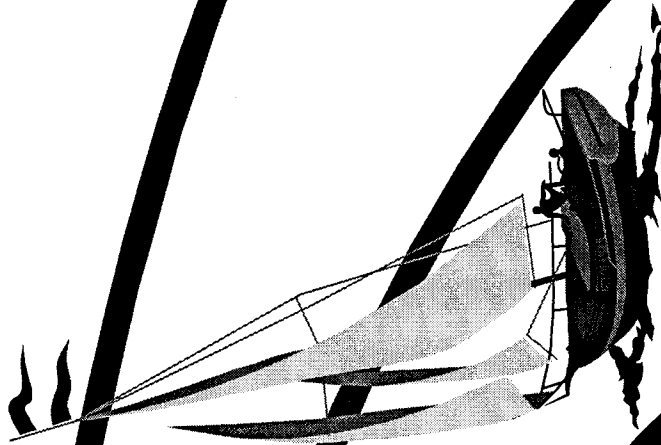
Western Union

ISLAND OF CURACAO
Netherlands Antilles

G. M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

Curacao Bank

G. M.'s Account



International Flow of Funds

U. S. A. G A M B L E R S

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western Union

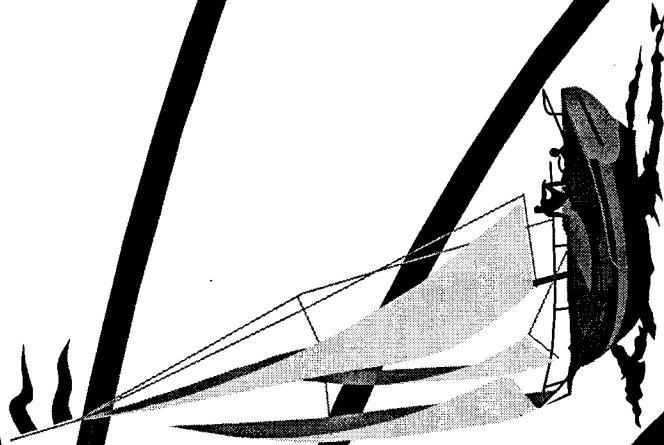
Intelnet

ISLAND OF CURACAO
Netherlands Antilles

G. M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

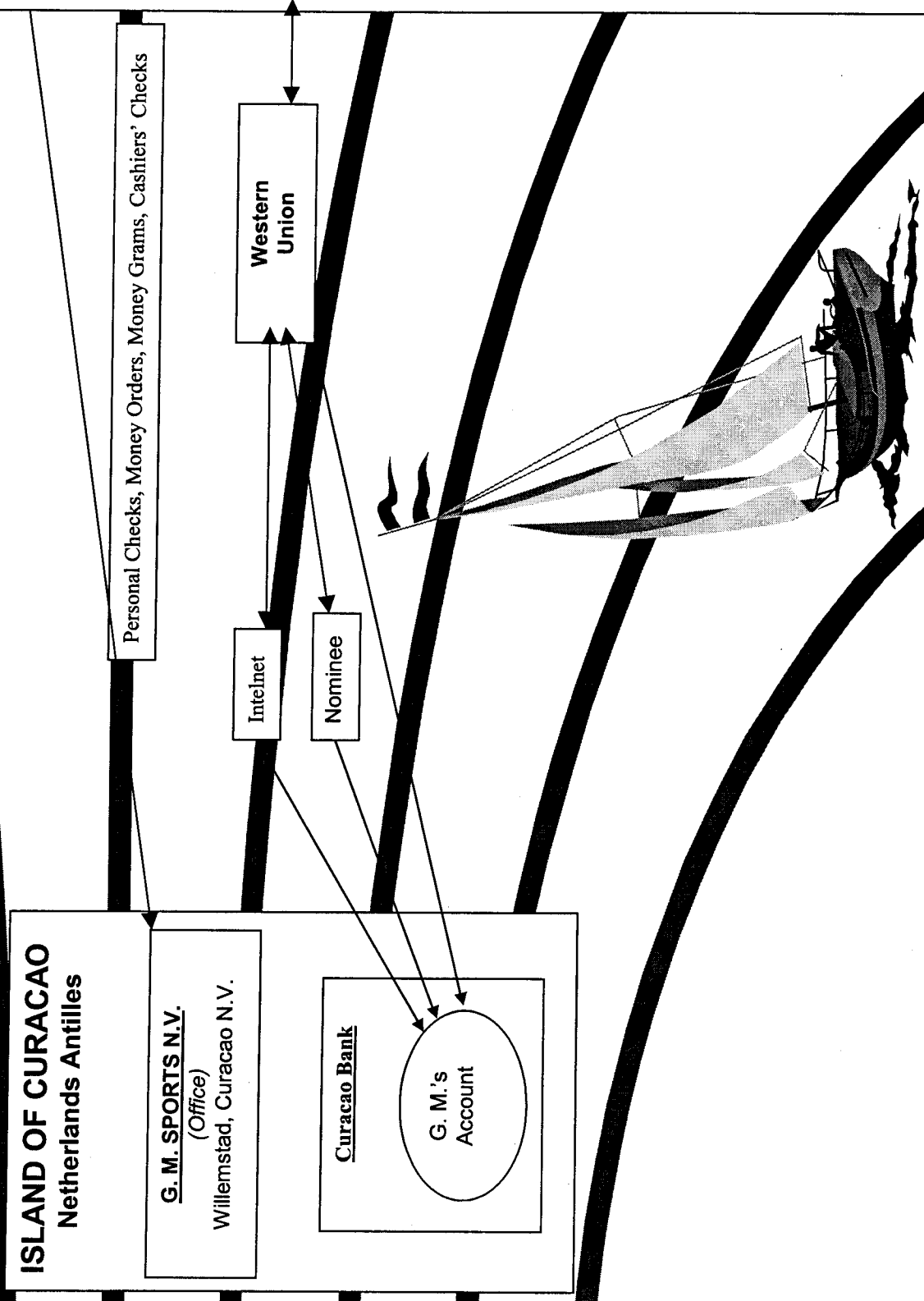
Curacao Bank

G. M.'s Account



International Flow of Funds

U. S. A. G A M B L E R S



International Flow of Funds

U. S. A. G A M B L E R S

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western Union

Intelnet

Nominee

**Zeihen
National
Bank of NY**

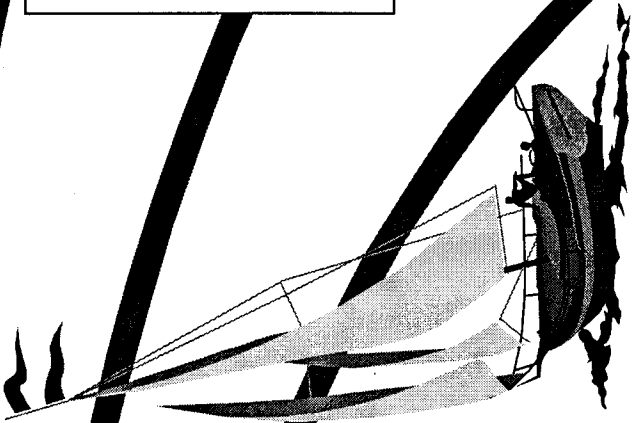
Curacao
Bank's
Account

ISLAND OF CURACAO
Netherlands Antilles

G.M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

Curacao Bank

G. M.'s
Account



International Flow of Funds

U. S. A. G A M B L E R S

ISLAND OF CURACAO
Netherlands Antilles

G.M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

Curacao Bank

G. M.'s Account

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western Union

Intelnet

Nominee

Zeihen National Bank of NY

Curacao Bank's Account

Bank Wires



International Flow of Funds

ISLAND OF CURACAO
Netherlands Antilles

G.M. SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

Curacao Bank

G. M.'s Account

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Intelnet

Western Union

Nominee

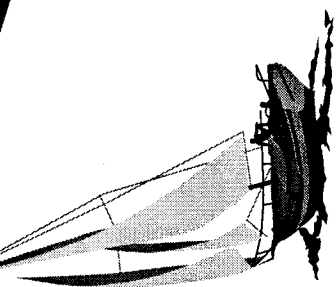
Zeihen National Bank of NY

Curacao Bank's Account

U. S. A. G A M B L E R S

Bank Wires

Bank Wires



International Flow of Funds

U. S. A. G A M B L E R S

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western Union

Intelnet

Nominee

Zeihen National Bank of NY

Bank Wires

Curacao Bank's Account

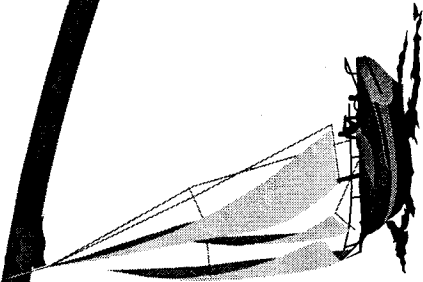
Checks & Wires

ISLAND OF CURACAO
Netherlands Antilles

GOLD MEDAL SPORTS N.V.
(Office)
Willemstad, Curacao N.V.

Curacao Bank

GOLD MEDAL's Account



International Flow of Funds

U. S. A. G A M B L E R S

Personal Checks, Money Orders, Money Grams, Cashiers' Checks

Western Union

Intelnet

Nominee

Bank Wires

Checks & Wires

Credit Cards

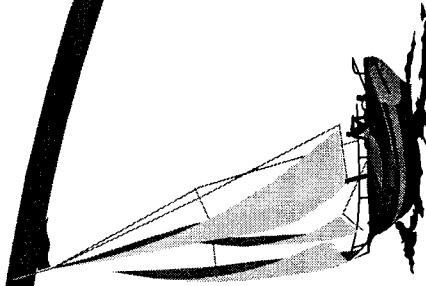
Zeihen National Bank of NY
Curacao Bank's Account

Bank Wires

ISLAND OF CURACAO
Netherlands Antilles

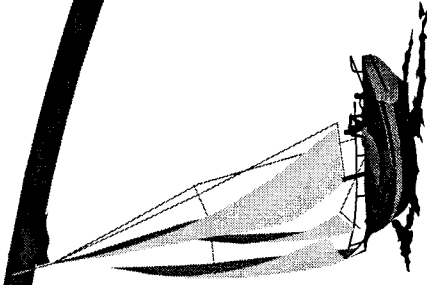
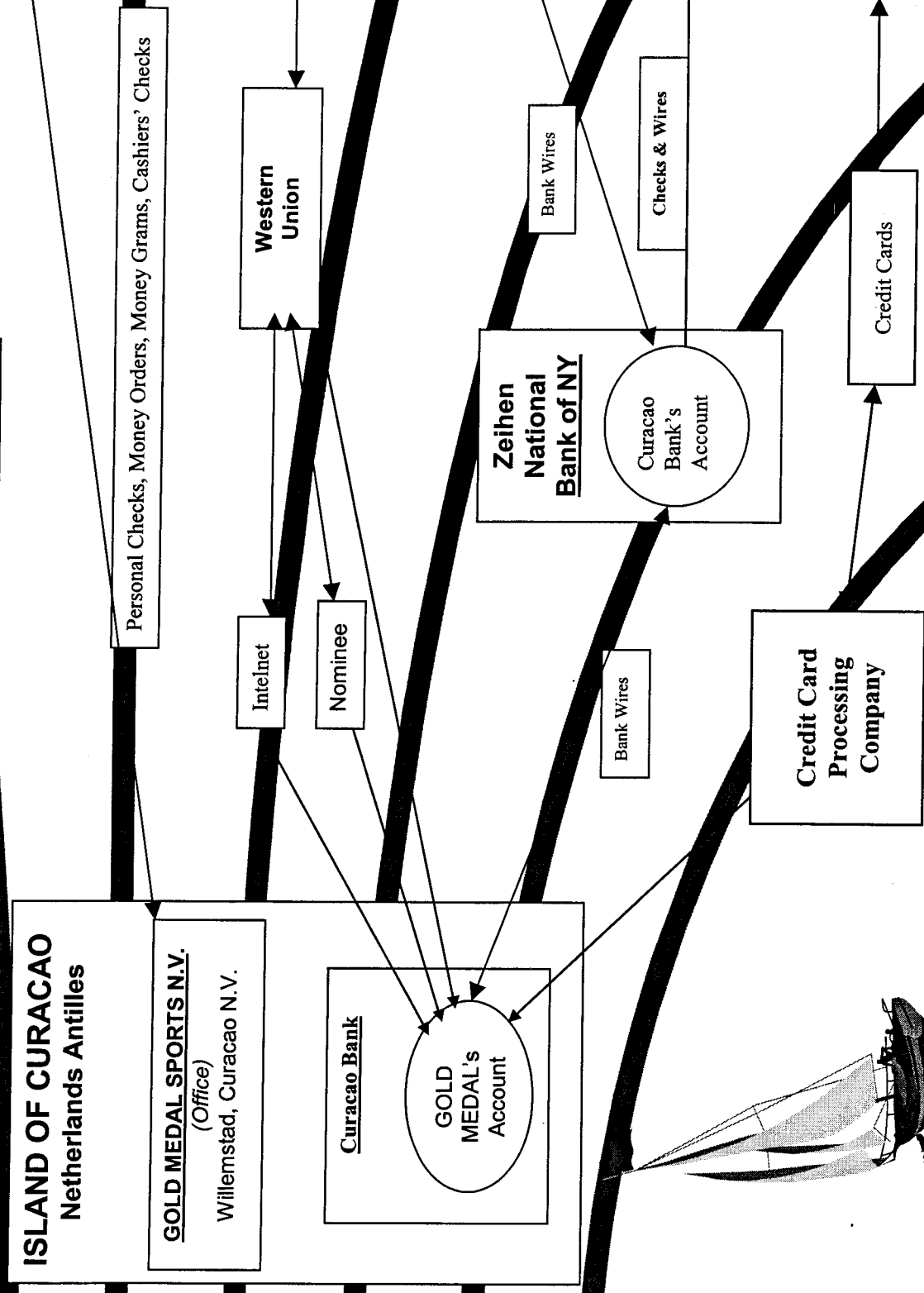
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Curacao Bank
GOLD MEDAL's Account

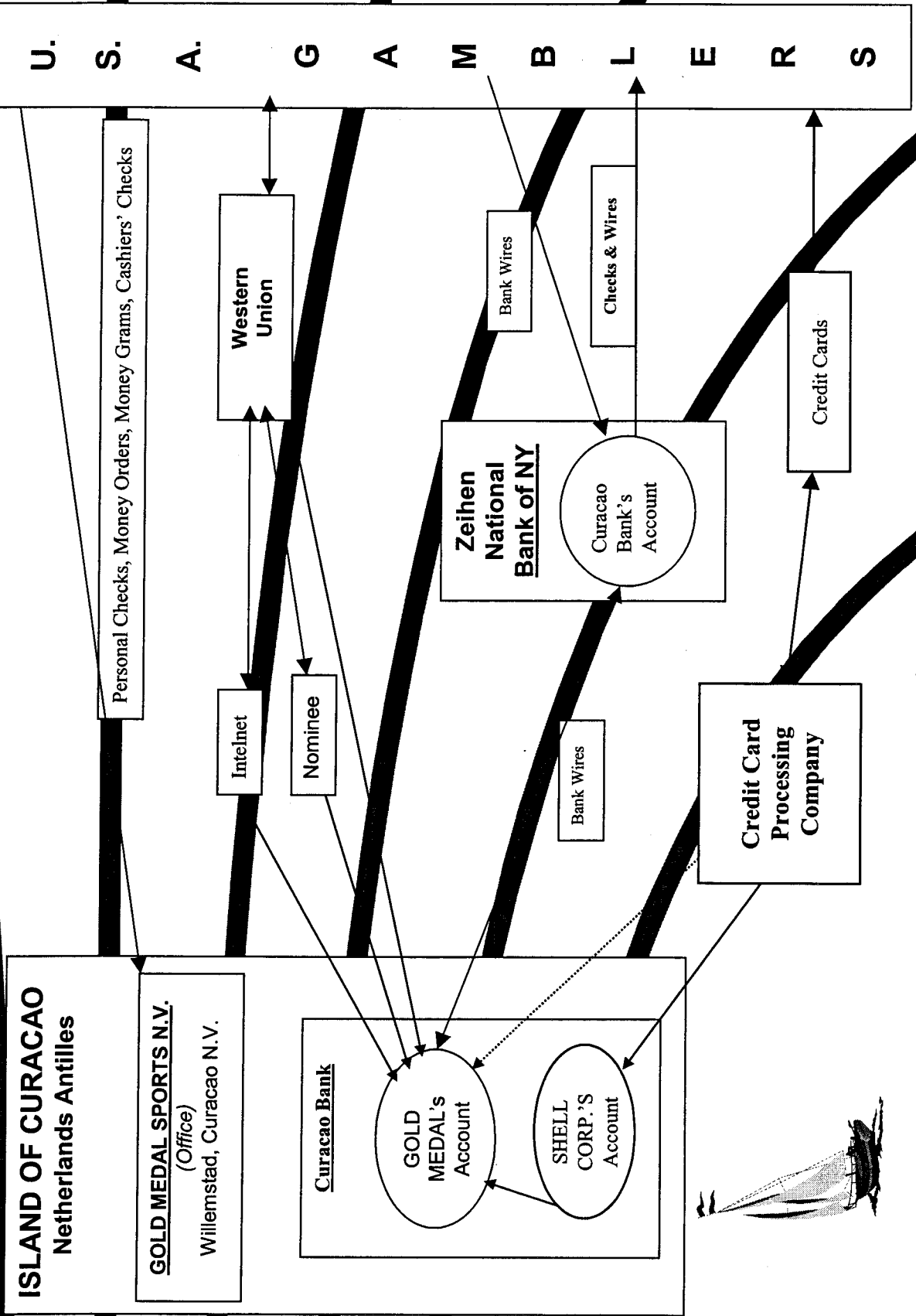


International Flow of Funds

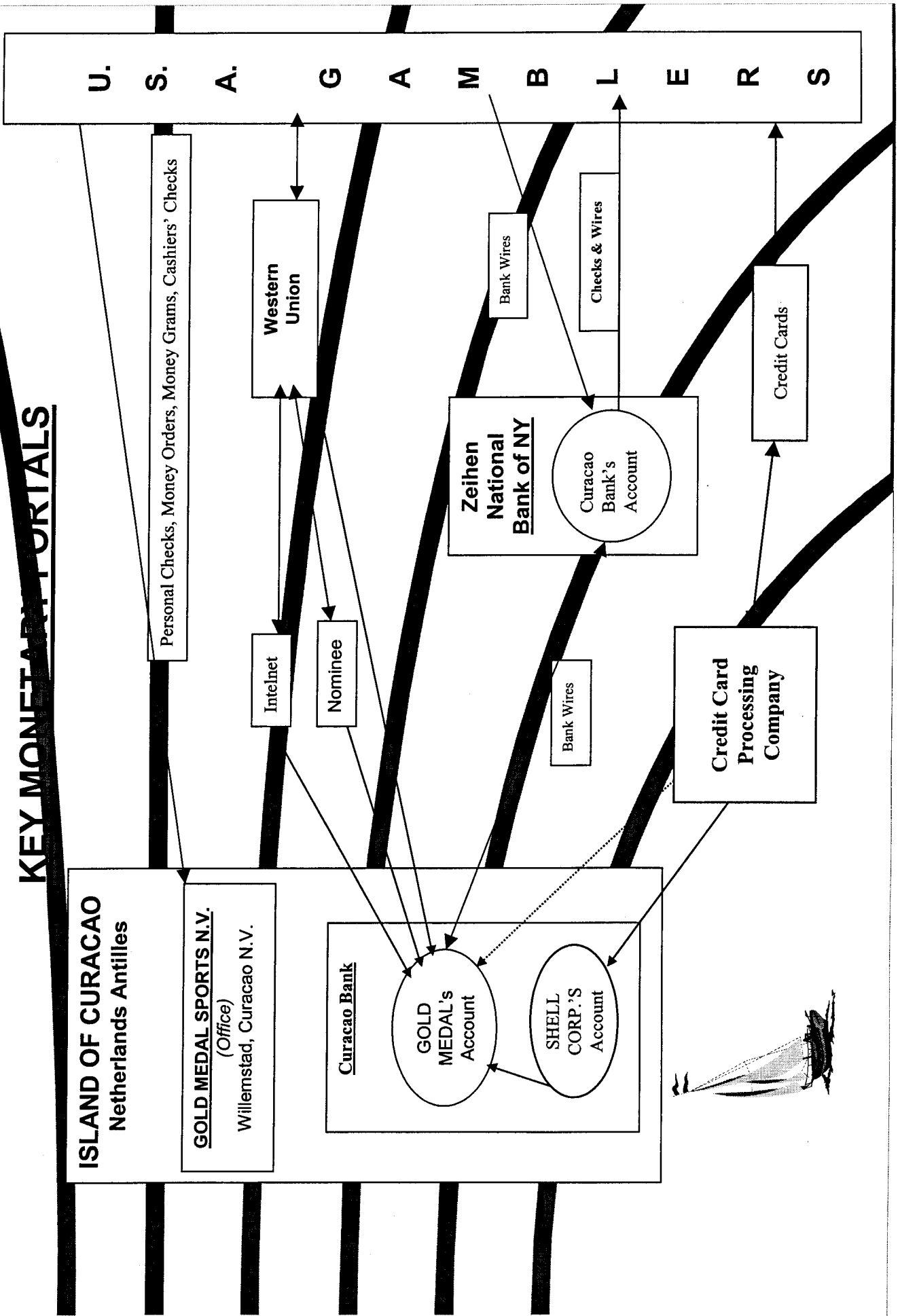
U. S. A. G A M B L E R S



International Flow of Funds



KEY MONETARY PORTALS



CHEAT SHEET

How to Clean Filthy Lucre

Thanks to its convenience as a Hollywood plot point, money laundering used to evoke images of false-bottomed cash registers and clandestine trips to the Cayman Islands. Then came the news that terrorists were using legal wire transfers, checking accounts, and credit cards to fund their activities. But it's the next incarnation of money laundering that alarms the Feds. For high-bandwidth ne'er-do-wells, Internet-based transfers and stored-value smartcards could be the wave of the future. And blackhat hackers drool at the P2P challenge. (Cashter, anyone?)

Whatever the preferred method of making ill-gotten gains appear legit, the rules are the same. First, the dirty dough is placed, or deposited, into a business or account where it can be converted into money orders, traveler's checks, or another benign form. Then, it's layered, or distanced, from its source via a series of wire transfers or other system. Finally, it's integrated — sparkling clean — back into the economy, via stock purchases, real estate, or other big-ticket but liquid items. All told, as much as \$1.8 trillion is laundered every year, according to the IMF.

In early November, 29 countries — including traditional tax havens like Switzerland and Lichtenstein — agreed to tighten their laws and freeze suspicious assets. But such measures won't stop this covert economy completely, especially as technology makes things easier. Here's a look at some methods your accountant won't share with you. — *Hugh Garvey*

THE METHODS

SMURFING

Federal law requires US banks to report all transactions greater than \$10,000 to the Treasury Department, so the obvious sneak is to break large sums into packets of less than that — a practice known as structuring, or "smurfing." Is that \$4,000 transfer from Malaysia to Citibank a terrorist's smurfed payment or the rent for an NYU grad student? Impossible to tell at first glance. Some estimate that the September attacks cost all of \$200,000. That's just 21 smurfed packets of money.



ONLINE CASINOS

Until recently, a quick money wash at a gambling site involved depositing funds in a casino account and then requesting a "refund" check be sent to a third party without ever playing a chip. While the US has effectively halted credit card companies from doing direct business with online casinos, the cash industry is happy to play middleman, brokering deals between gamblers and offshore casinos. You simply deposit funds in an ecash account and use that to do business with the casinos.



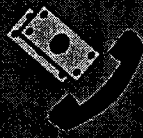
THE LOAN BACK

Using an offshore "shell" corporation, you "borrow" money from yourself, get a mortgage from your own account, and pay interest, which then lets you deduct the payments from your federal income taxes. Or have an associate accept your ill-gotten funds and then lend them back with mortgage documentation. Some offshore banks will issue credit cards that give you immediate, secret, and global access to your funds.



ADVANCED PAYMENT TECHNOLOGY

There are several flavors of this honor-based system, which predates Western banking by centuries and is deeply embedded in many foreign cultures. Best known: the Middle Eastern Hawala/Hundi system, in which a network of *hawaladars* phone or fax one another agreements as agents for depositors and creditors in various countries. The hawaladars then settle the assumed debts through gem smuggling, smurfing, or physically moving cash.



STORED-VALUE INSTRUMENTS (AKA SMARTCARDS)

By effectively removing financial institutions as a checkpoint, smartcards become highly portable minibanks. Most cards are used for small-scale purchases and phone calls, but one Brit devised a launderer's dream machine: a system that allowed telephone cash transfers between individual cardholders. To head the bad guys off at the pass, the US Postal Service and other agencies are developing secure, traceable, stored-value card systems.

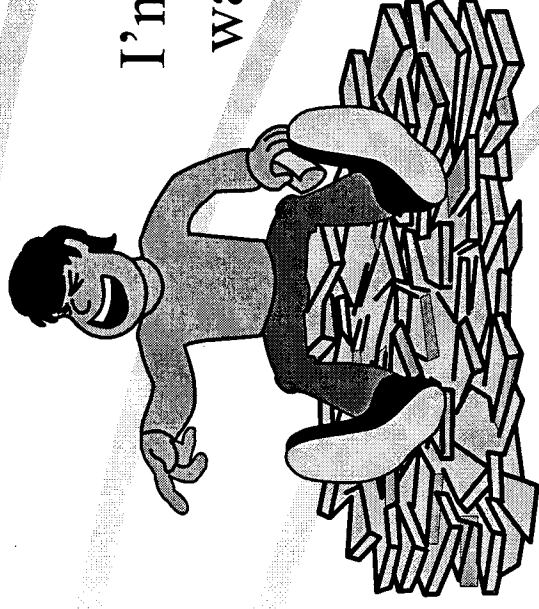


Follow the Money!



Money Laundering Structure

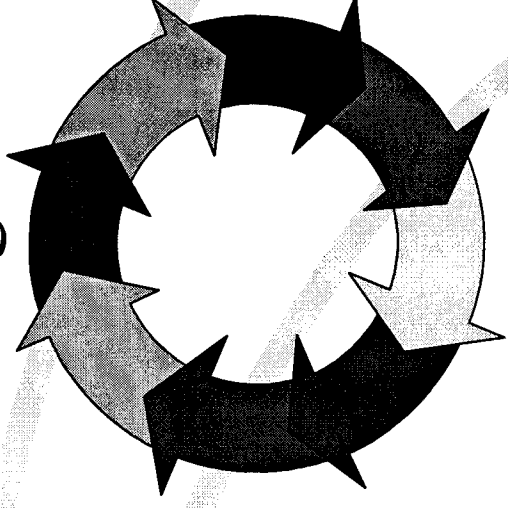
- Scheme Established by Attorney to Evade Income Taxes for Professionals.



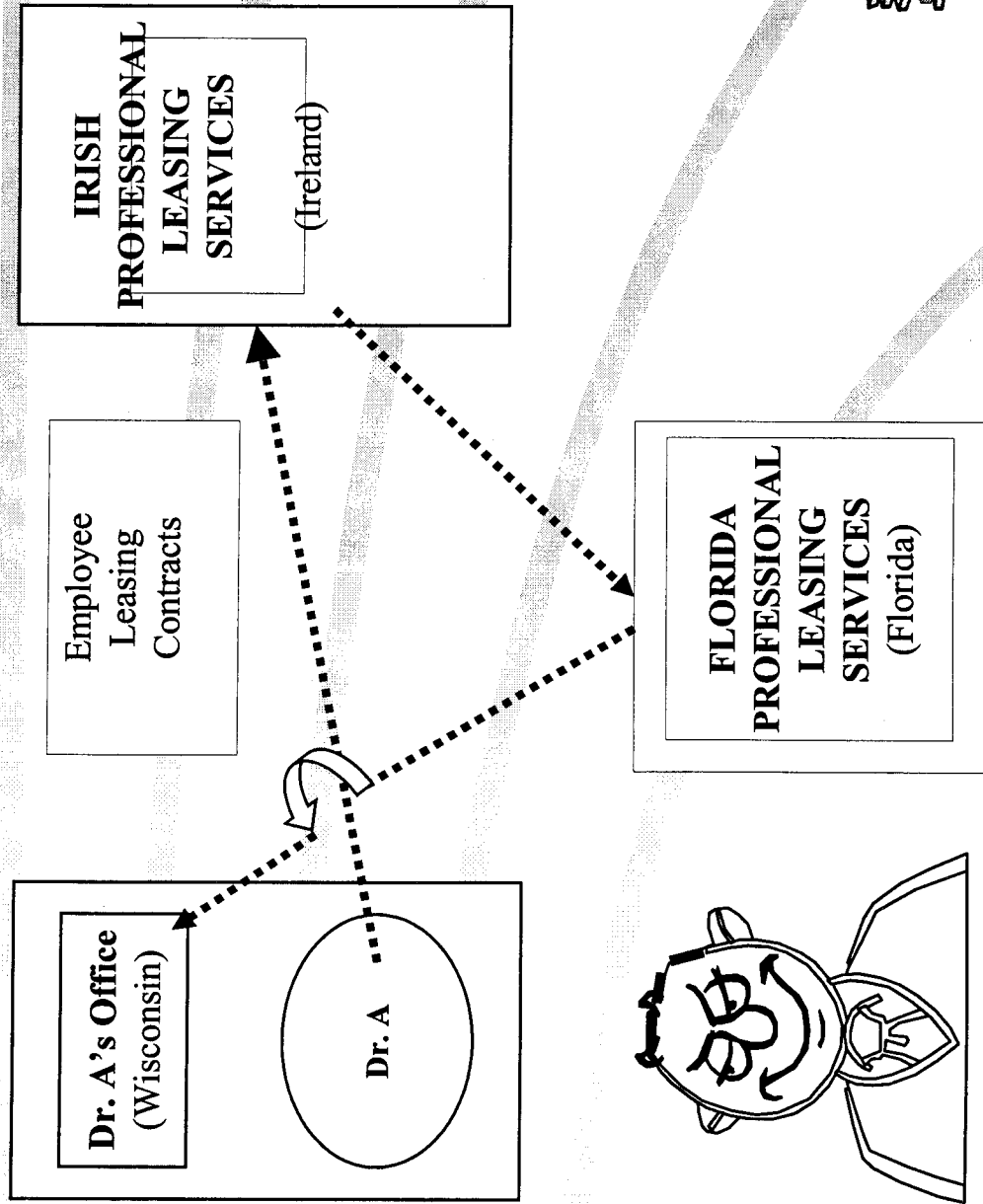
I'm laughing all the way to the bank!

Money Laundering Structure

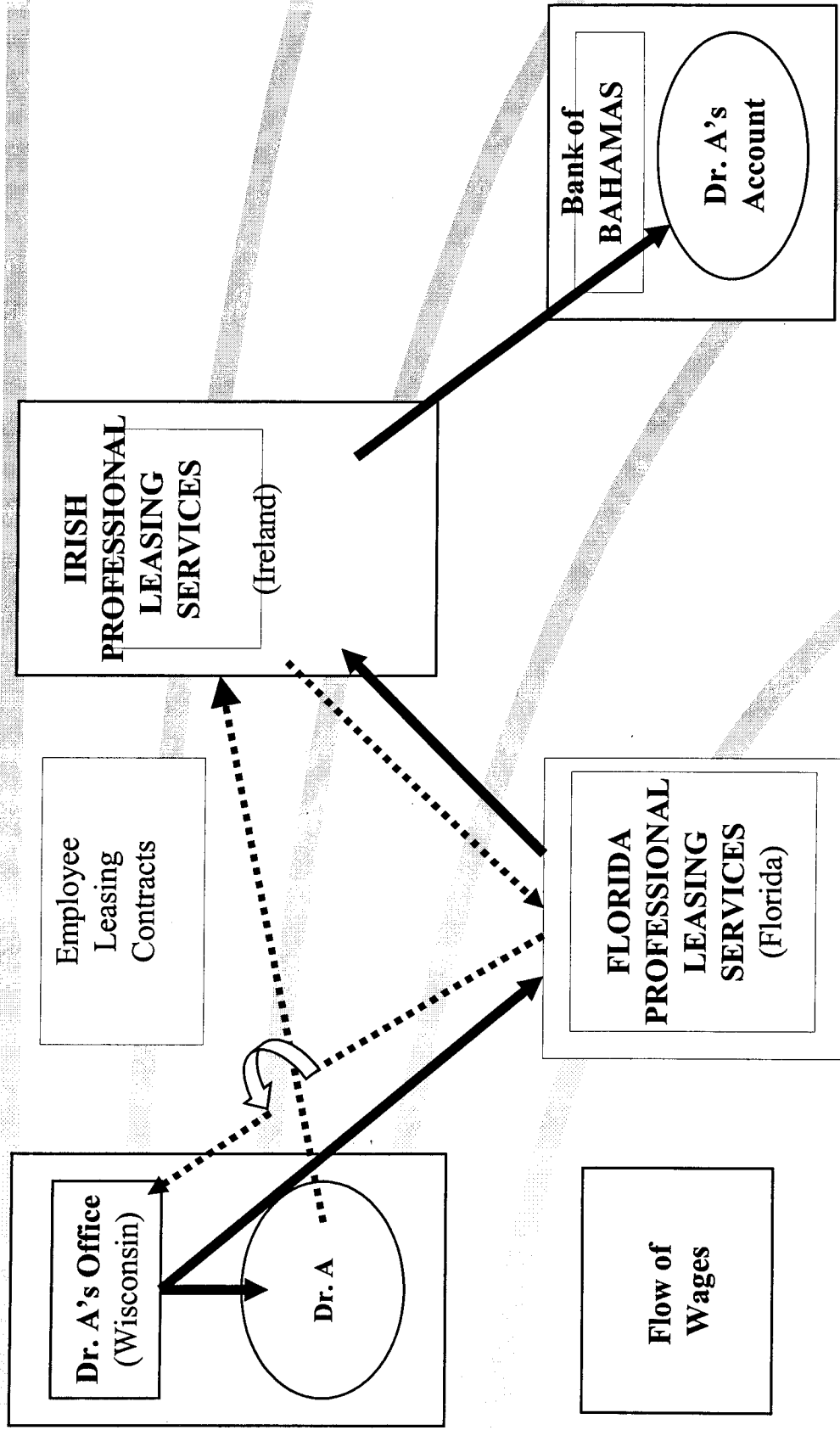
- Scheme Established by Attorney to Evade Income Taxes for Professionals.
- Tax Evasion Scheme Provided Structure For Money Laundering



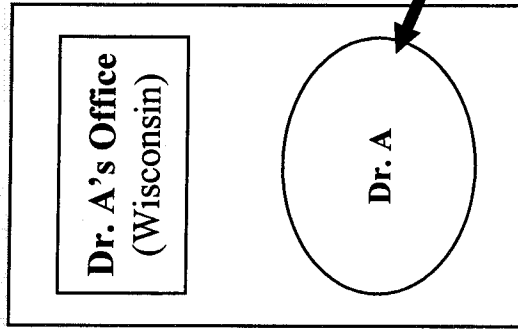
Money Laundering Structure



Money Laundering Structure

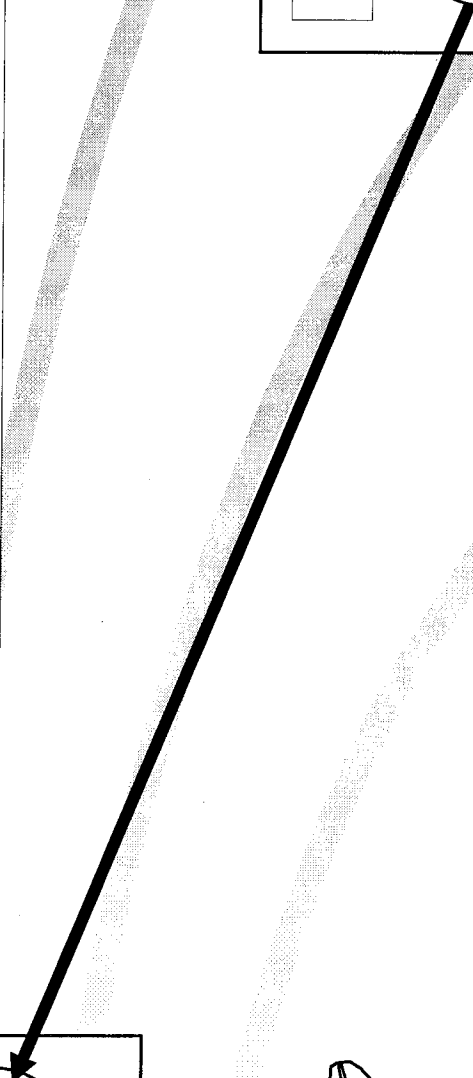
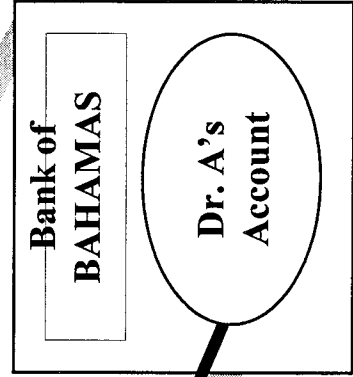
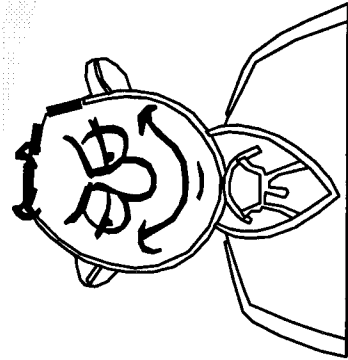


Money Laundering Structure



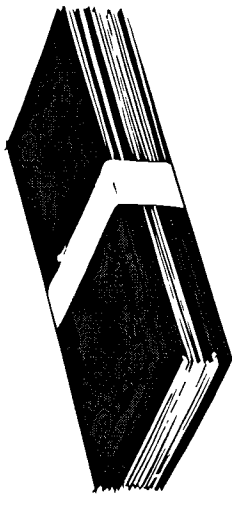
What happens to money in Bahamas?

**Dr. A gets the money disguised as "loans" or "investments",
whenever he wants it...TAX FREE OF COURSE!**



MONEY LAUNDERING STRUCTURE

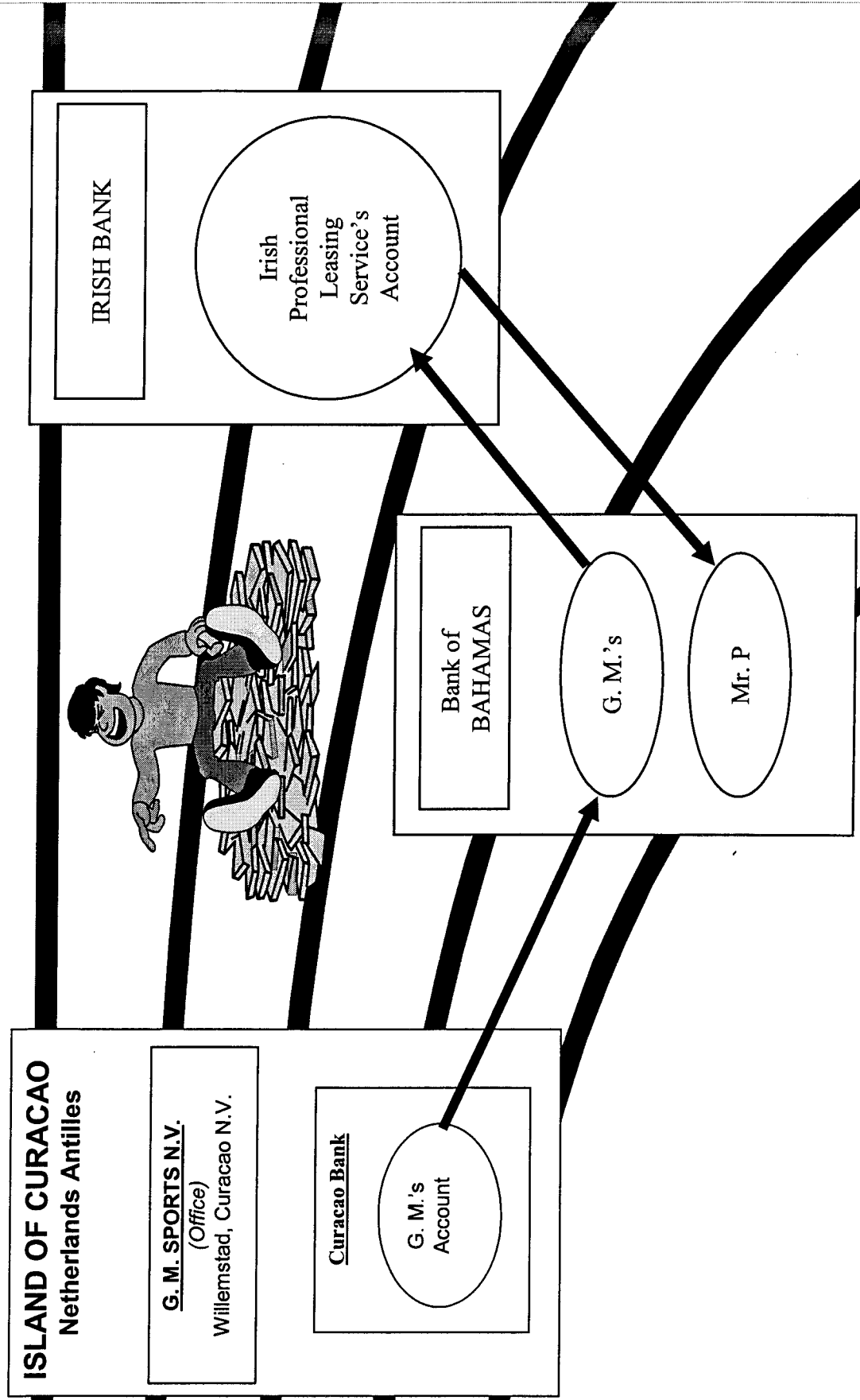
- Is Dr. A involved in money laundering?
 - No. Tax evasion is not an SUA...yet.
- How does this relate to the gambling case?
 - Both Mr. P & J. D. utilized this structure to under-report the money they made from their tout businesses.
 - They commingled their gambling profits with their unreported tout income.



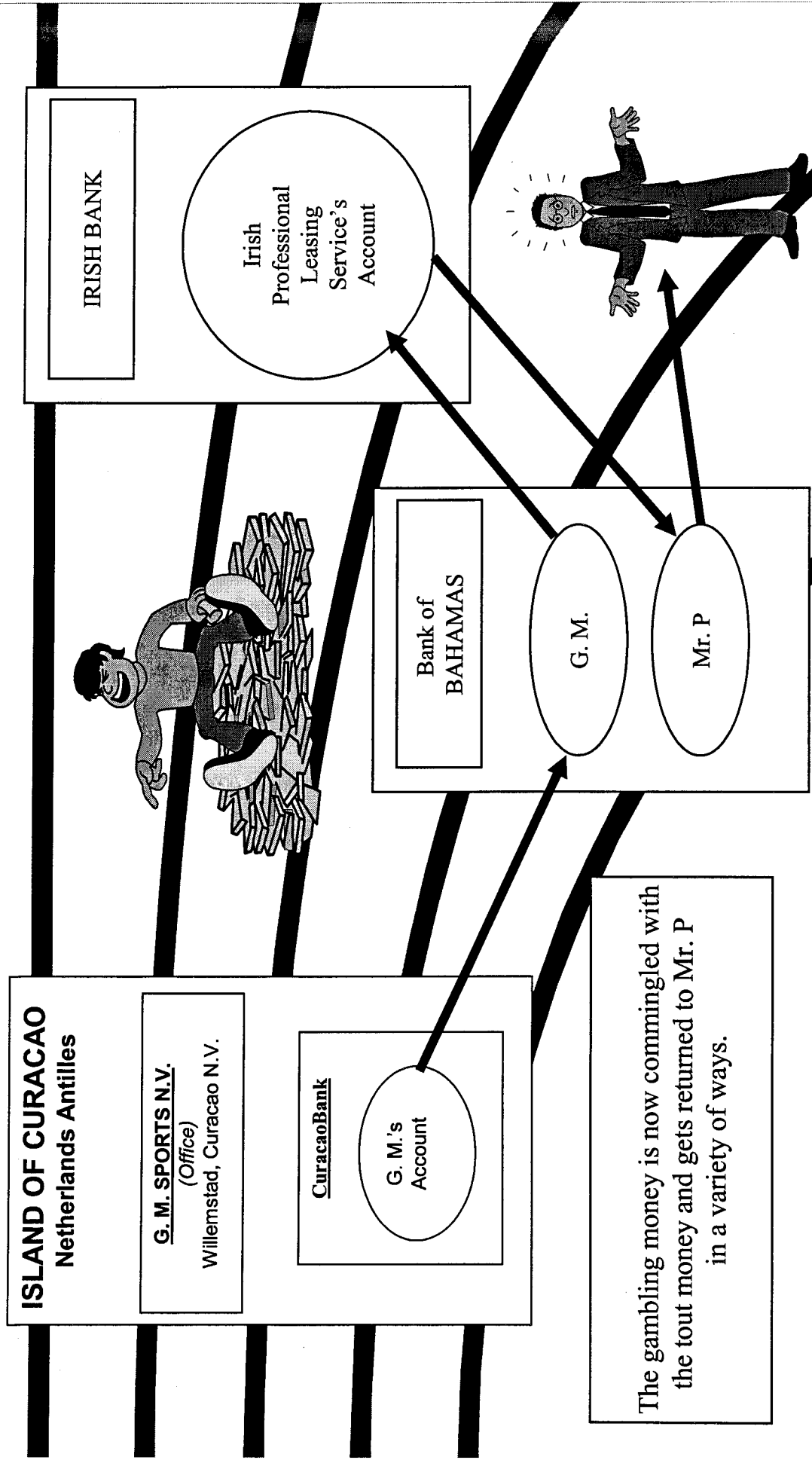
MONEY LAUNDERING SCHEME



MONEY LAUNDERING SCHEME

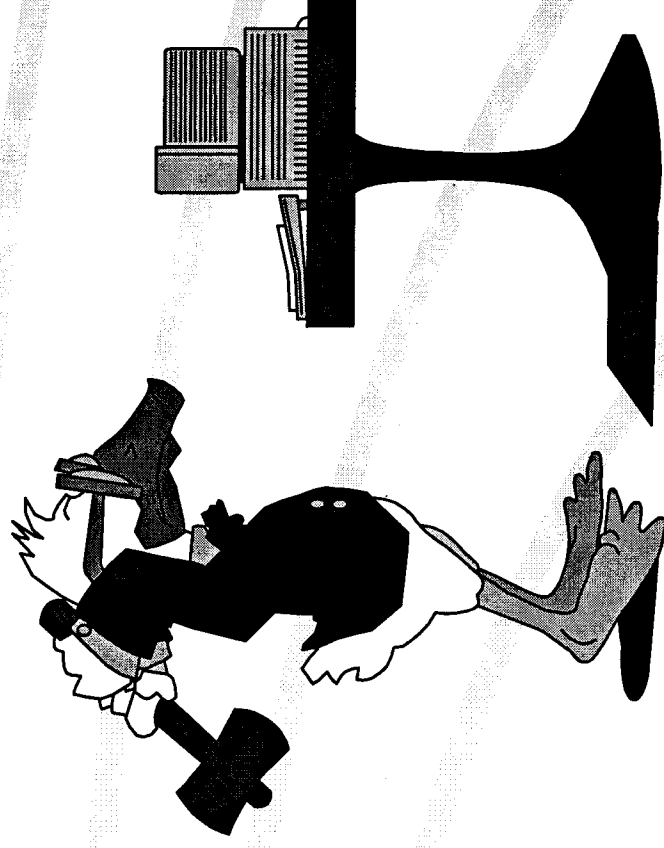


MONEY LAUNDERING SCHEME



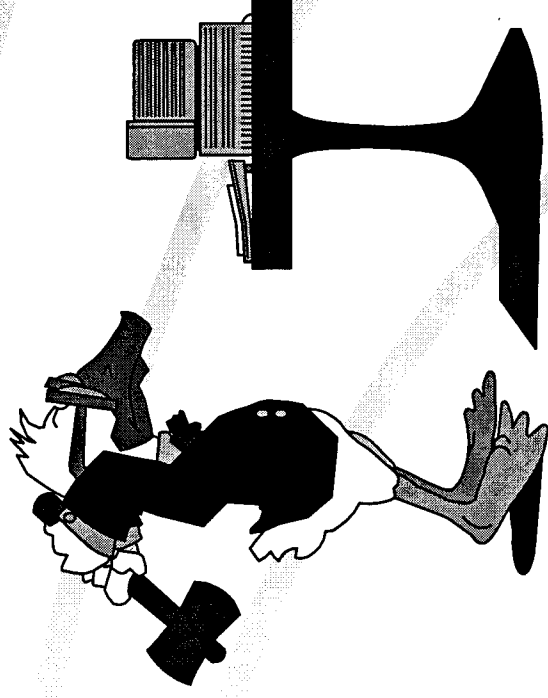
REMEMBER

- If it walks like a duck...it is a duck.



Possible Ducks to Hunt

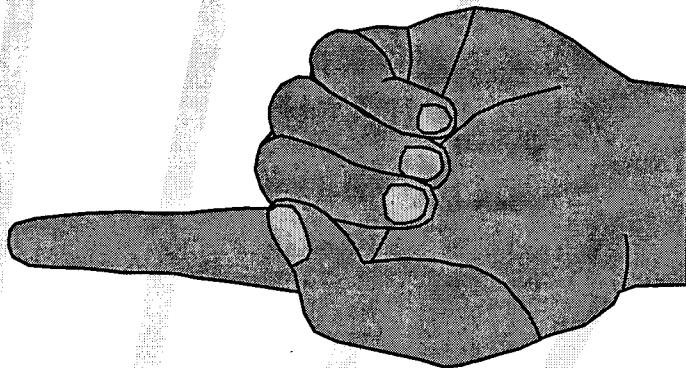
- Sports Information (TOUT) Businesses
- Offshore Gaming Businesses
- Tax Evasion Schemes



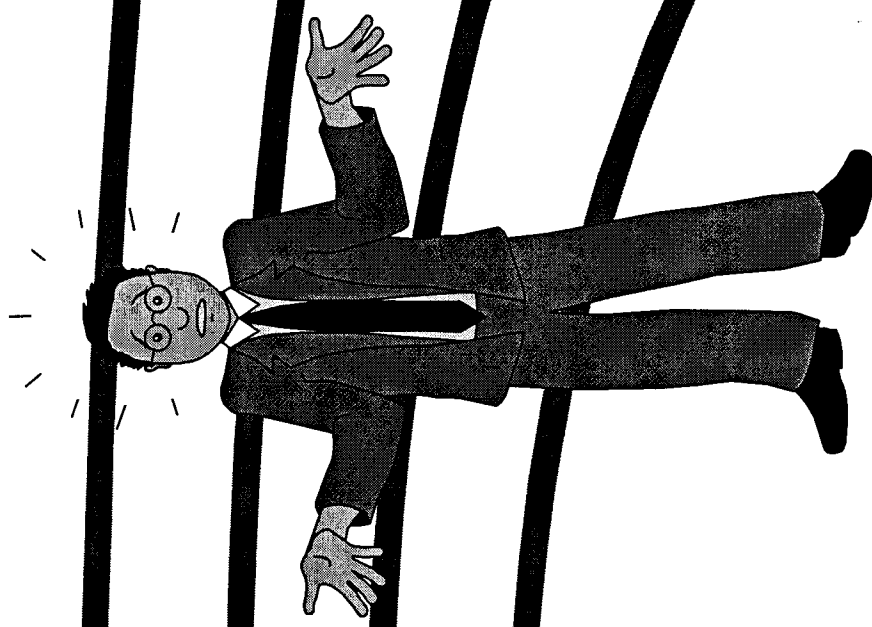
Offshore Gaming: Money Laundering Vehicle

- Local Bookies
- Customs & FBI Drug Case
- Sports Agents
- Prostitution
- Software Development
- Illegal Legislative Influence
- CPA Firms & SEC Registrations
- Bankers & Brokers (Handling Owners Profits, etc.)
- Potential: Funding Terrorism

• QUESTIONS?



POTENTIAL CHARGES

- 
- Title 26 - Tax Evasion (Income and Excise Taxes)
 - Title 26 - False Tax Returns
 - Title 26 - Aiding in Preparation of False Tax Returns
 - Title 18 - Money Laundering
 - Title 18 Section 1084 - Using the Wire to place wagers
 - Title 18 - RICO
 - Title 18 Section 982 - Criminal Forfeiture
 - Title 18 - Mail Fraud

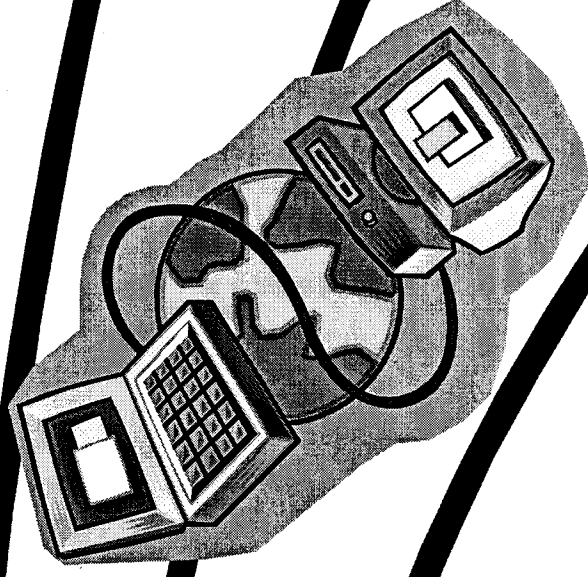
WHY AN INTERCEPT?

Through digitization offshore

attempting to document real owners

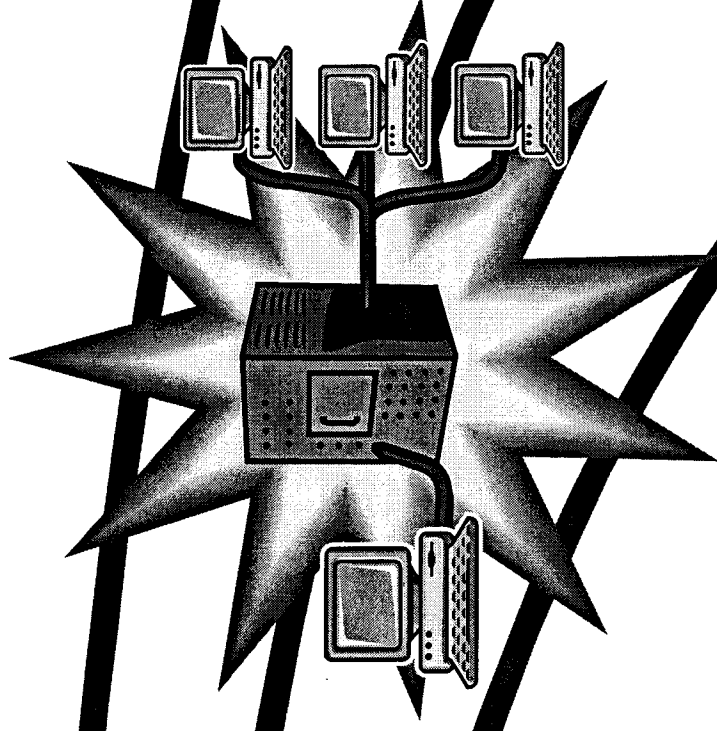
- Gather electronically stored financial and administrative information about the business and its owners

- Other investigative procedures are unlikely to result in the capture of wagering information



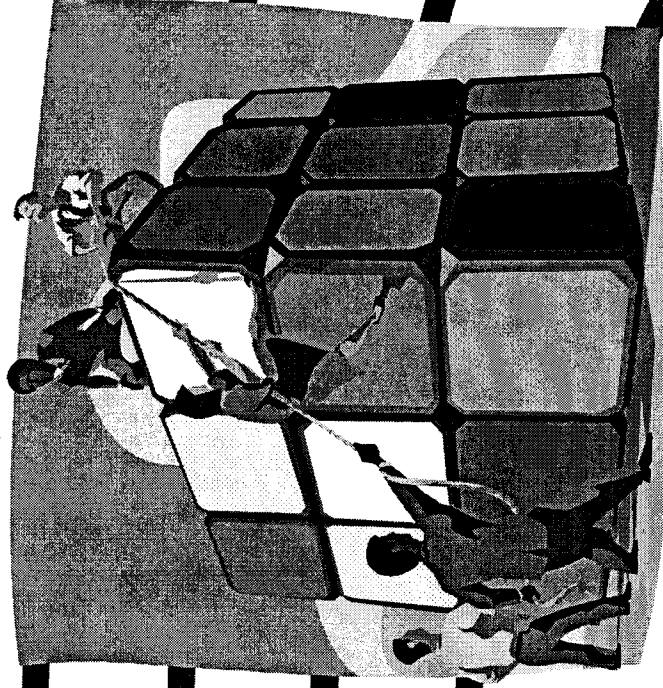
COMPUTER INTERCEPT

- Governing Statute - Title 18 USC 2510, 2516 and 2519
- Investigative steps
 - Subpoena 18 USC 2518
 - Court order for "traffic intercept" (network w/ telephone Company) FBI has a "packet sniffer" similar device
 - Court order for Wire Tap pursuant to 18 USC 2516(c)



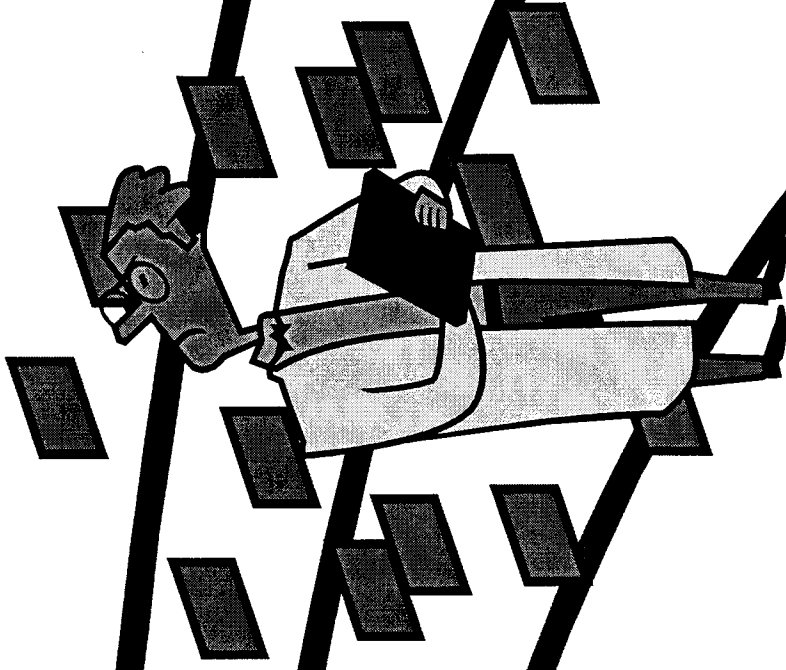
PROBLEMS TO OVERCOME

- Equipment
- Viewing information within the scope of the court order
- Encryption of data
- Maintaining the integrity of the intercept information
- Resource (agent) issues
- Complying with 18 USC 2518

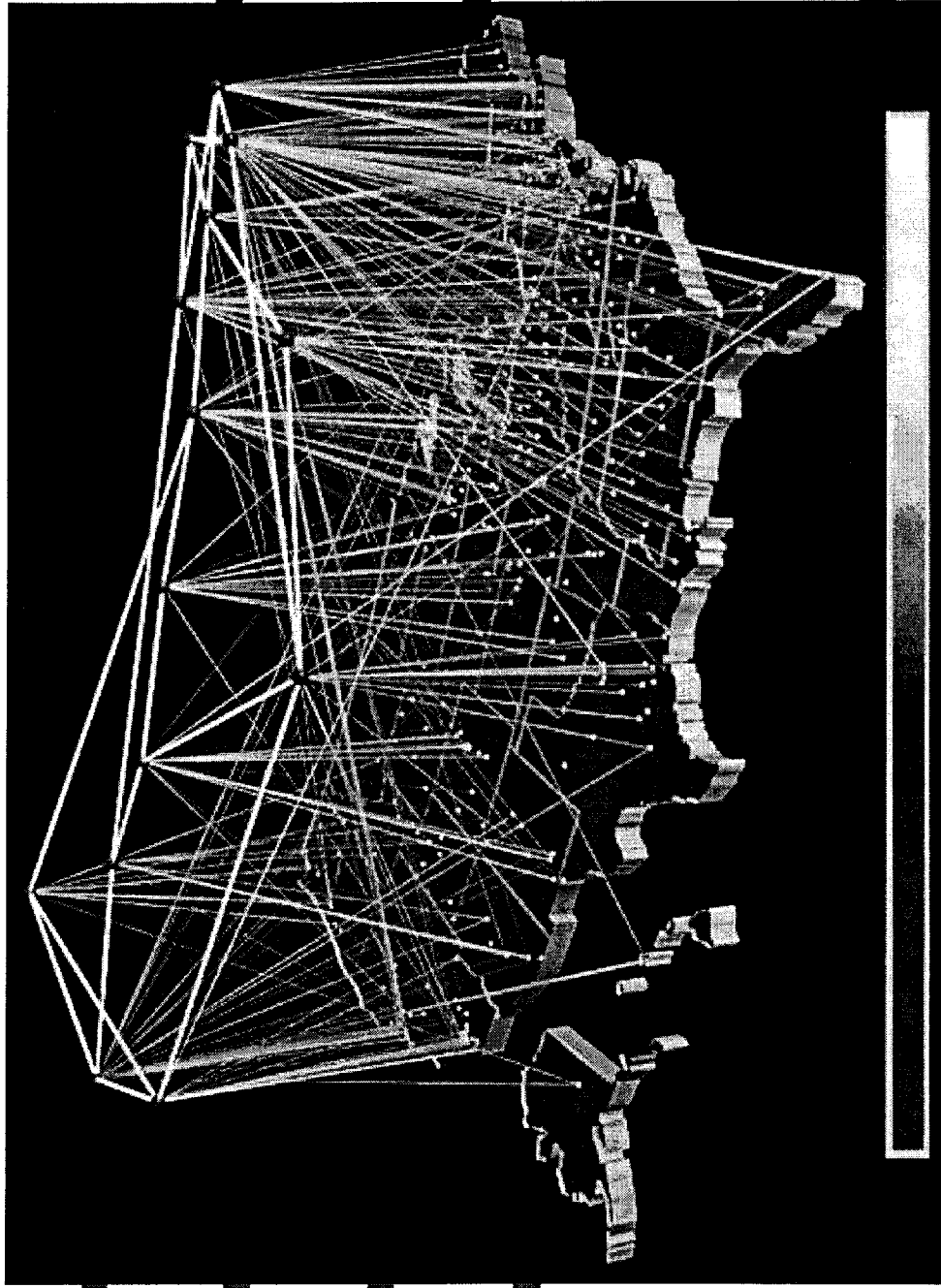


SOLUTIONS

- Minimization teams
- FBI has the equipment
- Some data encrypted some not
- Main disk (Jazz disk) was encrypted
lock and key during
interception of data.
- Working with AUSA to cover
every detail of 18 USC 2518
- Create computer spreadsheet
for purposes of making report
to judge every 10 days



How is Data Sent?

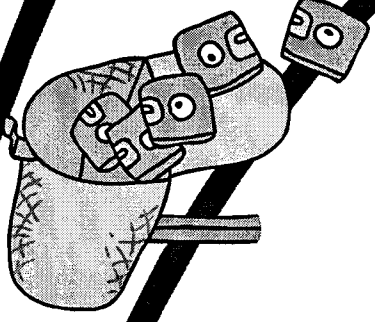


Electronic Packet

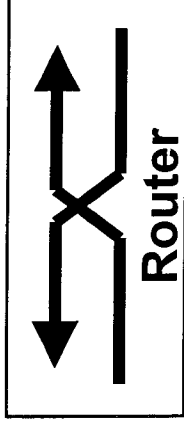
Like letters they.....

- Contain information
- Require an address (IP)

Each packet contains 1000 bytes of data or 1 KB

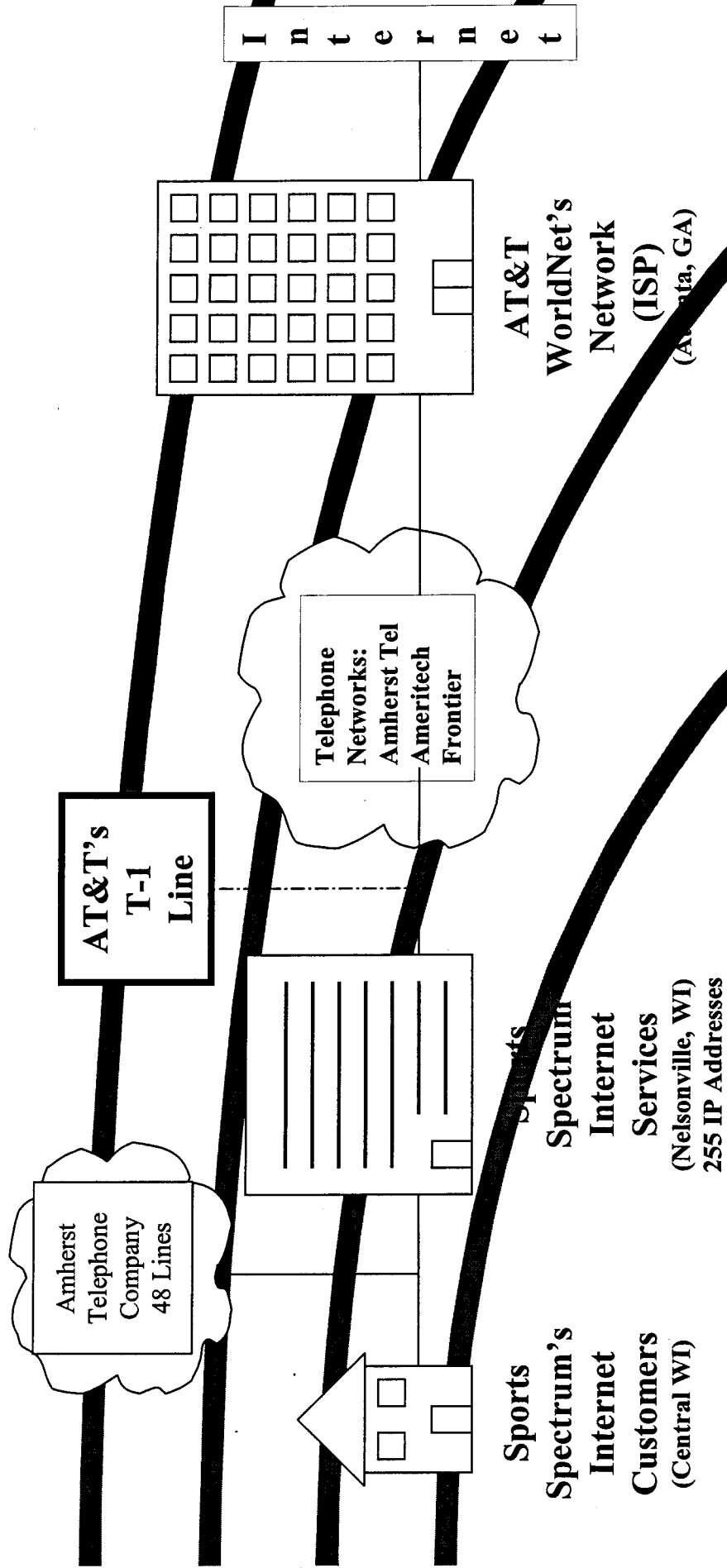


Router



- Examines each packet and determines the next point on its route
- Similar to Post Offices in the “snail mail” system

Domestic Internet Connection
(Block of 255 AT&T IP Addresses)



Foreign Internet Connection

(Block of 5 Ingenieria IP Addresses)

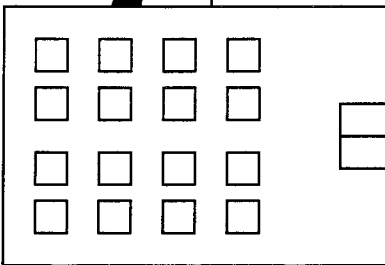
Within United States

International

I n t e r n e t

SAVVIS'
Network

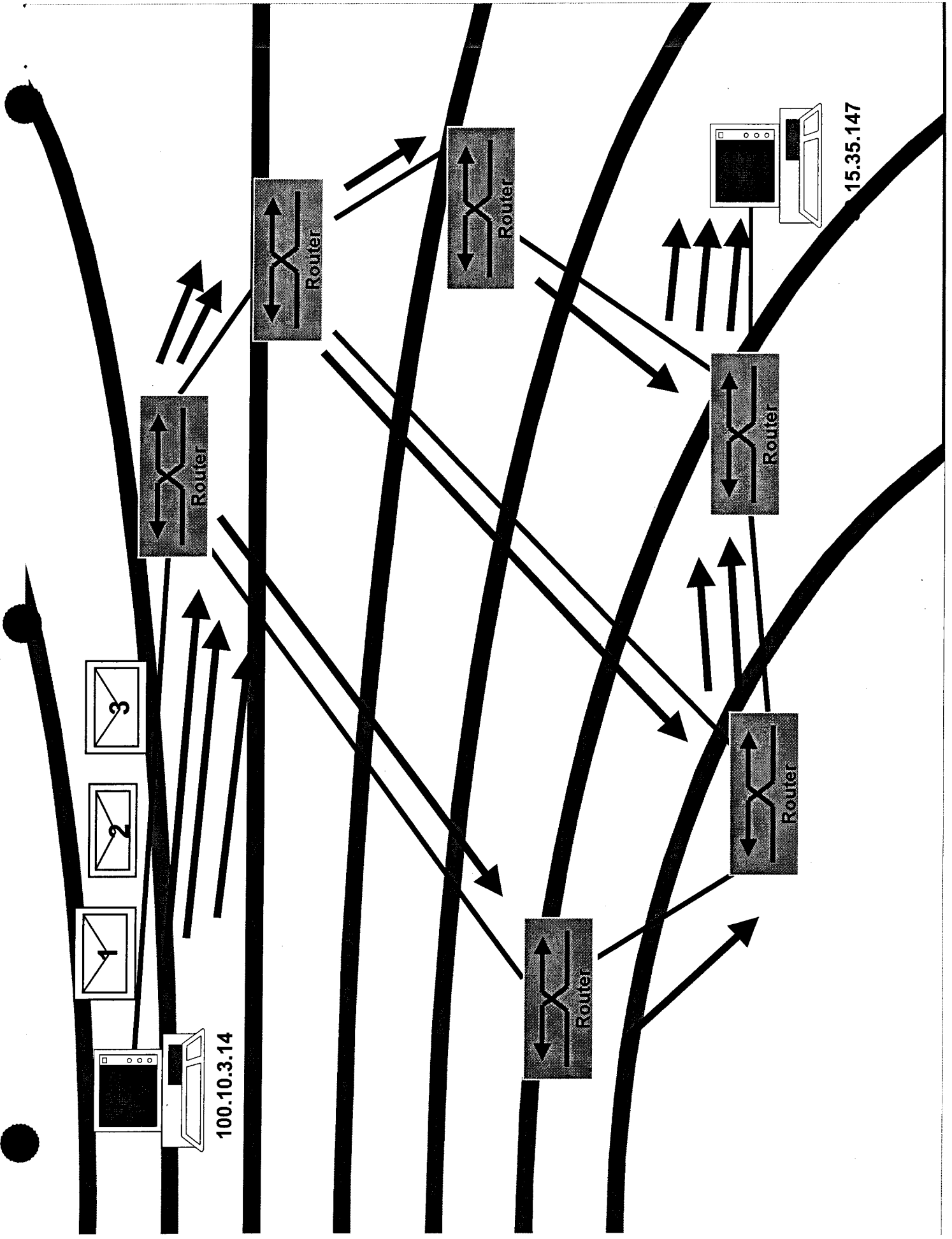
I n t e r n e t



Ingenieria
(Miami, FL
&
Venezuela)
(ISP)

Gold Medal
Sports
N.V.
(Curacao N.A.)

5 IP Addresses

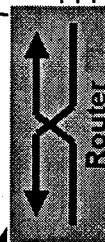
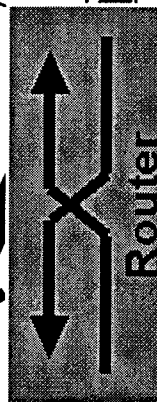
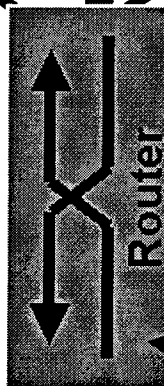
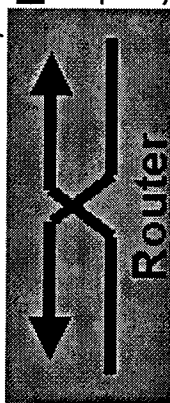
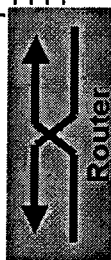
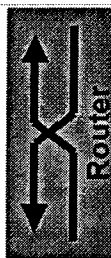


AT&T's Router Network

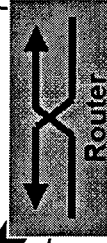
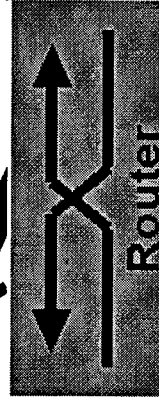
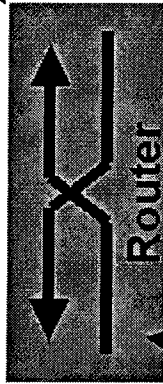
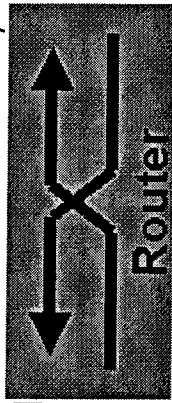
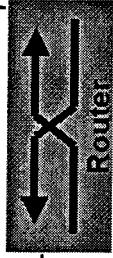
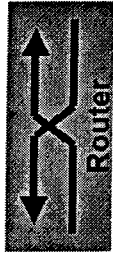
**Combined
Sports
Internet
Services
(Wisconsin)**

Chicago, IL

**Interception
Equipment
Installed**



AT&T's Router Network



**Sports
Spectrum**
(Nelsonville)

Chicago, IL

**Interception
Equipment
Installed**

Milwaukee Field Office

Monitoring Equipment Installed

GOLD MEET SPORTS

Balan
January --, 2000

ASSETS

Current Assets	
Petty Cash	654.62
A.B.C. #100075695 USDollar	6,898.52
A.B.C. #100076446 Naf.	11,552.97
Orco Bank-Trust Acct (Dollars)	741,645.95
Orco Bank-GMS Exp (Dollars)	24,427.48
Orco Bank-GMS Exp (Guilders)	15,689.09
Aruba Bank N.V. --4005403	59,217.78
Surety Bank & Trust Acct 20087	1,096,715.48
First National Bank-C/D	250,000.00
Quick Coll Rec-Intelnet	124,476.23
Chargeback Reserve Emp. Sec.	25,000.00
Bank of ArubaCC- A/R 96.5%	3,816.75
DMTV WU-Receiveable Reg/CC	197,421.50
Other Receivables	7,090.00
Acc Rec-Seven Palms Corp.	3,489.94
Merchant E- Services/Cr Card	45,122.54
Me-S Chargeback Rsv - 10%	18,100.10
Merchant E-Services (Mpac)	10,945.14
Mer E-Ser 10% Reserve (Mpac)	10,056.78
Aruba Bank CC-Intelnet	31,718.00
Prepaid Expenses	22,956.49
Prepaid Support Agreements	10,871.63
Prepaid Telephone Expense	202,554.15
Employee Advances	11,792.82
Mariner International Bank,Ltd	1,236,950.82
Dividends Advance	825,000.00
Total Current Assets	4,994,164.78
Property and Equipment, Furniture and Fixtures	45,957.73

Gold Medal Sports Hold Analysis

	1998			1999			2000		
	Action Win/Loss	Monthly Handle	Hold %	Action Win/(Loss)	Monthly Handle	Hold %	Action Win/(Loss)	Monthly Handle	Hold %
January	(246,807.10)	18,314,248.91	0.015	(862,120.51)	10,824,204.65	0.061	(278,599.00)	5,769,235.00	0.048
February	(614,460.60)	9,388,649.20	0.085	(497,352.98)	7,058,283.95	0.070			
March	(709,807.38)	10,287,971.90	0.089	(341,867.57)	9,154,905.85	0.037			
April	(134,099.90)	9,136,845.55	0.015	(199,950.32)	7,077,748.40	0.028			
May	(370,428.91)	8,748,999.05	0.042	(245,744.70)	5,739,532.00	0.043			
June	(94,303.79)	7,191,841.15	0.013	(228,011.85)	4,019,192.80	0.058			
July	(223,141.62)	3,922,487.75	0.057	(172,523.11)	3,595,652.25	0.048			
August	(329,288.66)	7,514,036.80	0.044	(170,620.35)	3,871,514.05	0.048			
September	(334,885.95)	11,511,033.40	0.029	(332,720.00)	6,915,803.00	0.048			
October	(980,146.38)	11,734,038.35	0.084	(455,466.00)	6,684,267.00	0.088			
November	(497,165.02)	12,830,425.15	0.039	(378,580.00)	7,592,681.00	0.050			
December	(1,485,761.26)	11,413,883.85	0.130	(482,879.00)	5,784,039.00	0.130			
Total Year	(6,019,676.13)	119,995,281.06	0.050	(4,166,816.39)	78,111,623.95	0.053	(278,599.00)	5,769,235.00	0.048



The Network Solutions Web site
is now a VeriSign Web site

September 11, 2001
How can you help?
Visit www.helping.org

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FIND A DOMAIN
NAME

BUILD YOUR
WEB SITE

ADD
OPTIONS

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HOW

MANAGE
ACCOUNT

RENEW
SERVICES

PRIVACY POLICY HELP WHOIS DOMAINS FOR RESALE

VIEW ORDER

SPECIAL OFFER!

.biz or .info package
buy one year
... get
one year free!

[click here for this special offer!](#)

START HERE

- 1 Enter a Domain Name
- 2 Select Your Desired Extension(s)
☒ .com ☐ .net ☐ .biz
☐ .info ☐ .tv ☐ .org
☐ .ws ☐ .cc ☐ .bz
[See more extensions](#)
- 3 Check Availability

Request New Web Extensions
Request .name and .pro domain names, before registration begins.
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*see Important Terms & Conditions

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ADD OPTIONS

LEARN HOW

MANAGE ACCOUNT

RENEW SERVICES

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VIEW ORDER

→ You are Here: WHOIS

WHOIS



Search Our WHOIS Records

e.g. netsol.com

goldmedalsports.com

col

Search WHOIS by:

☒ Domain name

☐ IP address

☐ NIC handle

☐ Nameserver

☐ Name

☐ All

Learn More about using WHOIS

FAQs

What is WHOIS?

How do I search for a multilingual domain name?

What if I don't want my information to be in WHOIS?

Get the Name You Want

Is the name you want already registered? Check to see if it's for sale on our GreatDomains.com listing of names for resale. Click here to view the catalog.

Get Listed in Top Search Engines

Make sure all your key Web pages can be found on popular search sites.

More Ways to use our Site

Brainstorm a name using keywords

Get Noticed with Personalized E-Mail. Use e-mail that matches your domain name.

Transfer your Domain Name registration to VeriSign.

Search the Web with Double



MyComputer.com™



SuperStats

Site Miner

Guest Book

Board Server

Watchdog

EZ Polls

Counter

Enhance your Web site with these easy to use tools.

Yellow Pages-Find a business FAST

QuestDex
click here QuestDex.com

Try Bigstep FREE for a month.
Bigstep

REGISTER A
.INFO
WEB ADDRESS TODAY!
SAVE 50%

NOTICE: The Data in Network Solutions' WHOIS database is provided by Network Solutions for information purposes only, and to assist persons in obtaining information about or related to a domain name registration record. Network Solutions does not guarantee its accuracy. By submitting a WHOIS query, you agree to use this Data only for lawful purposes and that under no circumstances will you use this Data to: (1) allow, enable, or otherwise support the transmission of mass unsolicited, commercial advertising or solicitations via e-mail, telephone, or facsimile; or (2) enable high volume, automated, electronic processes that apply to Network Solutions (or its computer systems). The compilation, repackaging, dissemination or other use of this Data is expressly prohibited without the prior written consent of Network Solutions. Network Solutions reserves the right to terminate your access to the Network Solutions WHOIS database in its sole discretion, including without limitation, for excessive querying of the WHOIS database or for failure to otherwise abide by this policy. Network Solutions reserves the right to modify these terms at any time. By submitting this query, you agree to abide by this policy.



SEND US YOUR PHOTOS AND MEMO

HOME

FIND A DOMAIN NAME

BUILD YOUR WEB SITE

ADD OPTIONS

LEARN HOW

MANAGE ACCOUNT

RENEW SERVICES

PRIVACY POLICY HELP WHOIS SELL YOUR NAME

VIEW ORDER

→ You are Here: WHOIS → Search Results

WHOIS

Search Results

Registrant:

GSC Administrative Services N.V. (GOLDMEDALSSPORTS2-DOM)
Bon Bini Center, SCHOTTEGATWEG OOST
WILLEMSTAD, Curacao AN

Domain Name: GOLDMEDALSSPORTS.COM

Administrative Contact, Technical Contact, Billing Contact:

Campos, Alejandra (SCT153) s_camacho@YAHOO.COM

GSC Administrative

Bon Bini Ctre Unit

H,Schottegatweg Oost

Willemstad

Curacao

AN

AN

5999 736 3738 888-439-9215

Record last updated on 08-Aug-2001.

Record expires on 27-Aug-2002.

Record created on 26-Aug-1997.

Database last updated on 5-Jan-2002 03:46:00 EST.

Domain servers in listed order:

MAIL.SEVENPALMS.COM

216.91.119.43

NS1-PHX.PHXTELEPORT.COM

216.190.140.2

FAQs

▪ What is a Handle?
What is a Handle
record?

▪ What is a Host?
What is a host
record?

▪ The domain name I
want has expired
according to the
WHOIS record. Why
can't I register that
name?

50% REGISTER A
.INFO
OFF
WEB ADDRESS
TODAY!

REGISTER A
.INFO
WEB ADDRESS TODAY!
SAVE 50%



SEND US YOUR PHOTOS AND MEMOS

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ADD OPTIONS

LEARN HOW

MANAGE ACCOUNT

RENEW SERVICES

PRIVACY POLICY HELP WHOIS **SELL YOUR NAME**

VIEW ORDER

→ You are Here: [WHOIS](#) → Search Results

WHOIS

Search Results

Registrant:

GSC Administrative Services N.V. (GOLDMEDALSPORTS2-DOM)
Bon Bini Center, SCHOTTEGATWEG OOST
WILLEMSTAD, Curacao AN

Domain Name: GOLDMEDALSPORTS.COM

Administrative Contact, Technical Contact, Billing Contact:

Campos, Alejandra (SCT153) s_camacho@YAHOO.COM

GSC Administrative

Bon Bini Ctre Unit

H, Schottegatweg Oost

Willemstad

Curacao

AN

AN

5999 736 3738 888-439-9215

Record last updated on 08-Aug-2001.

Record expires on 27-Aug-2002.

Record created on 26-Aug-1997.

Database last updated on 5-Jan-2002 03:46:00 EST.

Domain servers in listed order:

MAIL.SEVENPALMS.COM

NS1-PHX.PHXTELEPORT.COM

216.91.119.43

216.190.140.2

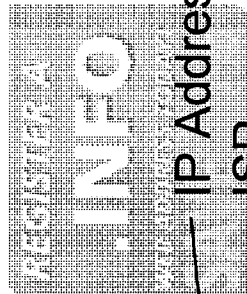
PAGE

"What is a Handle?"
What is a Handle?
08/08/02

Address

"What is a Handle?"
What is a Handle?
08/08/02

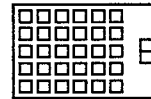
"The domain name I
am using is expired
according to the
WHOIS record. Why
can't I register that
domain?"



IP Address &
ISP

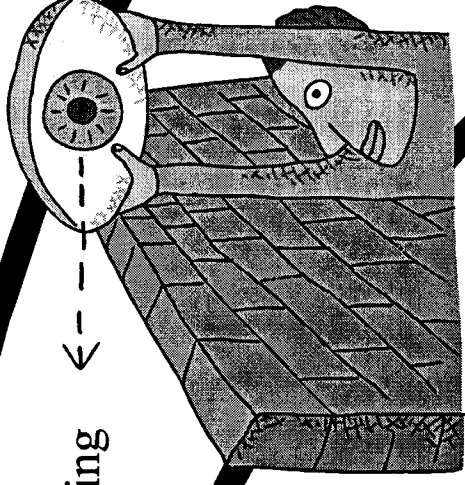
Traffic Filter Report (Excerpt)

Month	Day	Time (Greenwich)	Type	Sending Address	Receiving Address	#	Packets
1-Jan	27	15:48:27	tcp	216.91.119.43(1284)	209.37.35.5(25)	1	packet
1-Jan	27	15:49:15	udp	209.37.35.5(0)	216.91.119.43(0)	3	packets
1-Jan	27	15:51:16	94	209.37.35.4	216.91.119.10	4563	packets
1-Jan	27	15:51:16	tcp	216.91.119.43(25)	209.37.35.5(4487)	12	packets
1-Jan	27	15:51:48	tcp	216.91.119.43(1301)	209.37.35.5(25)	1	packet
1-Jan	27	15:52:16	tcp	209.37.35.5(0)	216.91.119.43(0)	22	packets
1-Jan	27	15:54:15	tcp	216.91.119.43(25)	209.37.35.5(4544)	1	packet
1-Jan	27	15:56:16	94	209.37.35.4	216.91.119.10	1066	packets
1-Jan	27	15:57:16	tcp	209.37.35.5(0)	216.91.119.43(0)	11	packets
1-Jan	27	15:59:16	tcp	216.91.119.43(25)	209.37.35.5(4544)	10	packets
1-Jan	27	16:01:16	94	209.37.35.4	216.91.119.10	2799	packets
1-Jan	27	16:02:33	tcp	216.91.119.43(1337)	209.37.35.5(25)	1	packet
1-Jan	27	16:03:16	udp	209.37.35.5(0)	216.91.119.43(0)	3	packets
1-Jan	27	16:03:18	tcp	209.37.35.4(0)	216.91.119.36(0)	1	packet
1-Jan	27	16:06:16	94	209.37.35.4	216.91.119.10	971	packets
1-Jan	27	16:08:16	tcp	216.91.119.43(1337)	209.37.35.5(25)	10	packets
1-Jan	27	16:09:16	tcp	209.37.35.4(0)	216.91.119.36(0)	325	packets
1-Jan	27	16:11:16	94	216.91.119.10	209.37.35.4	323	packets
1-Jan	27	16:13:35	tcp	216.91.119.43(25)	209.37.35.5(4665)	1	packet
1-Jan	27	16:14:16	tcp	209.37.35.5(0)	216.91.119.43(0)	13	packets
1-Jan	27	16:16:16	94	216.91.119.10	209.37.35.4	556	packets
1-Jan	27	16:19:16	tcp	209.37.35.4(0)	216.91.119.36(0)	427	packets
1-Jan	27	17:11:17	tcp	209.37.35.4(0)	216.91.119.36(0)	1	packet
1-Jan	27	17:37:17	udp	216.91.119.10(259)	209.37.35.4(259)	1	packet
1-Jan	27	17:38:18	94	209.37.35.4	216.91.119.10	639	packets
1-Jan	27	17:42:18	udp	216.91.119.10(259)	209.37.35.4(259)	1	packet
1-Jan	27	17:43:18	94	209.37.35.4	216.91.119.10	3713	packets
1-Jan	27	18:34:44	tcp	216.91.119.43(1390)	209.37.35.5(25)	1	packet
1-Jan	27	18:35:19	udp	209.37.35.5(0)	216.91.119.43(0)	3	packets
1-Jan	27	18:40:19	tcp	216.91.119.43(1390)	209.37.35.5(25)	12	packets
1-Jan	27	19:07:09	tcp	216.91.119.43(1457)	209.37.35.5(25)	1	packet
1-Jan	27	19:07:20	udp	209.37.35.5(0)	216.91.119.43(0)	3	packets
1-Jan	27	19:12:20	tcp	209.37.35.5(0)	216.91.119.43(0)	4	packets
1-Jan	27	19:18:52	tcp	216.91.119.43(25)	209.37.35.5(2126)	1	packet
1-Jan	27	19:19:20	tcp	209.37.35.5(0)	216.91.119.43(0)	14	packets
1-Jan	27	19:24:20	tcp	216.91.119.43(25)	209.37.35.5(2126)	12	packets
1-Jan	27	20:47:45	tcp	216.91.119.43(1517)	209.37.35.5(25)	1	packet
1-Jan	27	20:48:22	udp	209.37.35.5(0)	216.91.119.43(0)	3	packets
1-Jan	27	20:53:22	tcp	216.91.119.43(1517)	209.37.35.5(25)	13	packets



Minimization

- Firewall
- Can be labor intense
- Complies with 18 USC 2518(5)
- Minimization agents must be independent of investigation
- Ultimately, electronic communications must be pertinent to the order i.e. gambling records or evidence of wages, everything else created is typically deleted
- Eliminated information can not be seen by investigating agents



OFFICE OF INTERNATIONAL AFFAIRS

TEAM ONE - GENERAL INFORMATION FOR REQUESTING LEGAL ASSISTANCE FROM FOREIGN JURISDICTIONS

Revised March 15, 2002

A. Team One Staff

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202-616-0574 annetta.fraye@usdoj.gov

B. Team One Addresses

♦ by U.S. mail: U.S. Department of Justice
 Criminal Division
 Office of International Affairs
 Jack Keeney Building, 8th Floor
 1301 New York Avenue, N.W.
 Washington, D.C. 20530

♦ by private carrier: Office of International Affairs
 Jack Keeney Building, 8th Floor
 1301 New York Avenue, N.W.
 Washington, D.C. 20005

♦ by facsimile: (202) 514-0080

C. Team One Jurisdiction: Extradition & Mutual Assistance Matters

AFRICA (all countries)
CARIBBEAN (English-speaking islands and Haiti)
BELIZE (former BRITISH HONDURAS)
GUYANA (former BRITISH GUYANA)
IRELAND
UNITED KINGDOM AND OVERSEAS TERRITORIES

1. MLAT Jurisdictions

- Anguilla
- Antigua & Barbuda
- Bahamas
- Barbados
- British Virgin Islands
- Cayman Islands
- Dominica
- Egypt
- Grenada
- Jamaica
- Montserrat
- Morocco
- Republic of South Africa
- St. Kitts & Nevis
- St. Lucia
- St. Vincent & the Grenadines
- Trinidad & Tobago
- Turks & Caicos
- United Kingdom

2. Letter of Request Jurisdictions

- Belize (currently lack legislation to assist)
- Bermuda
- Gibraltar (drug investigation or prosecution)
- Guernsey
- Guyana
- Isle of Man
- Ireland
- Jersey

3. Letter Rogatory Jurisdictions

- Gibraltar (non-drug prosecution)

D. Requests To Foreign Countries For Legal Assistance

Federal and state prosecutors and investigators can seek and generally obtain legal assistance from foreign countries by submitting mutual legal assistance treaty (MLAT) requests, letters of request, or letters rogatory. See listing at C, *supra*.

Federal prosecutors **MUST** submit MLAT requests, letters of request, and letters rogatory to OIA for review. Moreover, all MLAT requests must be signed by the director or a deputy director of OIA, which serves as the central authority for the United States in all MLATs.

State prosecutors similarly must submit all MLAT requests to OIA for review and signature and are advised to submit other requests for review.

E. Drafting Requests To Foreign Countries For Legal Assistance

1. Use the template provided by OIA as a drafting guide.
Follow the format and style of the template.
2. Prepare the draft in double-spaced format using WORD PERFECT.
3. Complete the OIA transmittal form (see O., *infra*.) and transmit the form and draft by e-mail to OIA as directed on the form.
4. Where OIA returns a draft for revision, use the returned electronic text to make revisions unless otherwise directed by OIA.
5. Periodically check by e-mail with OIA regarding the status of the draft or execution of the request.
6. Immediately notify OIA by e-mail if changes in circumstances affect the timing for execution of your request (e.g., setting of a trial date, granting of a continuance) or the need for execution (e.g., stipulation of facts, conclusion of a plea agreement, imposition of sentence).

F. ATTACHMENTS

Do not include attachments **UNLESS** (1) requested by the foreign state or (2) inclusion clearly will facilitate execution (e.g., a bank document that identifies the account from which records are requested).

G. UNDERTAKINGS

Requests to certain jurisdictions require an "Undertaking" or affidavit from the prosecutor stating that any materials provided will only be used for the purpose stated in the request. OIA will provide forms for those jurisdictions.

H. CONFIDENTIALITY

Transmitting requests to foreign states entails the possibility of disclosure (both existence and contents). Foreign authorities generally exercise best efforts to keep confidential the contents of requests except to the extent that disclosure is necessary to effect execution. However, if you have good reason to request confidentiality in execution of a request, request it and provide a credible fact-based reason (i.e., not based on U.S. laws or practices). Upon request, some authorities allow the United States to withdraw requests that cannot be executed without disclosure. In any event, be aware that once your request leaves the territory of the United States, the United States no longer controls access and some risk exists that, even with best efforts, the contents may be disclosed.

I. DISCLOSURE OF GRAND JURY MATERIAL

In making requests that arguably disclose grand jury material, follow the case law and practice for your judicial district regarding Rule 6(e) disclosure orders.

J. LENGTH OF TIME TO EXECUTE

Requests for assistance typically take a long time to execute after authorities in the foreign jurisdiction receive them. The length of time varies from jurisdiction to jurisdiction and from request to request. As a general proposition, the time required for execution is measured in months, not weeks. Two months is a relatively short time; 3-6 months is normal. In difficult executions, or executions facing legal opposition in the foreign jurisdiction, execution can take 6 months or more. In other words, don't put off seeking foreign assistance until the last minute or you will be disappointed.

K. STATUTE OF LIMITATIONS/SPEEDY TRIAL CONSIDERATIONS

Title 18, U.S.C., §§ 3161(h)(9) and 3292 provide respectively for suspension of the speedy trial and statute of limitations deadlines for the purpose of securing evidence offshore pursuant to an "official request" as defined by § 3292(d).

L. COSTS

In general, the costs of executing a request are borne by the jurisdiction executing it. However, certain U.S. MLATs include provisions that allow the requested state to ask for "reasonable" costs incurred in document production. Moreover, certain non-MLAT jurisdictions will seek and expect payment for copying and mailing costs. Your office must be prepared to pay these costs.

Finally, the prospect for incurring costs is increasing in situations involving restraints of assets. Especially with smaller jurisdictions, costs may be an issue for discussion before the jurisdiction will act to immobilize assets pursuant to your request.

M. USE OF INFORMATION AND EVIDENCE RECEIVED

Foreign authorities providing assistance often restrict subsequent use of that assistance. OIA normally notes applicable restrictions in its letters to U.S. prosecutors and investigators when transmitting assistance provided by foreign authorities. In any event, **CONSULT WITH OIA** before using any information or evidence provided by foreign authorities for any purpose other than that requested by the United States and approved by the foreign authorities.

N. ASSET FORFEITURE

Requests to freeze assets in foreign jurisdictions often raise complicated issues or entail additional requirements. If you contemplate requesting a freeze of assets in a foreign jurisdiction, discuss it with an OIA attorney. Where the offense involves identified victims who are entitled to recover funds, consider, before requesting a freeze, whether the victims are in a position to seek recovery themselves and, if so, whether they will agree in advance of your request for a freeze to initiate civil litigation in the named jurisdiction for that purpose, removing the United States as a party to the recovery action.

Where a foreign jurisdiction provides assistance that leads to the forfeiture of assets in the United States, the United States may be in a position to share and, in some instances, may be obliged to share. Information you provide in the transmittal form submitting a draft request to OIA will assist in tracking potential sharing opportunities, commitments, and obligations.

O. OIA Transmittal Form

REQUEST FOR FOREIGN LEGAL ASSISTANCE
OIA TRANSMITTAL FORM

DATE:

TO: lystra.blake2@usdoj.gov
annie.hutchins@usdoj.gov
annetta.fraye@usdoj.gov

FROM:

TITLE: Assistant U.S. Attorney

DISTRICT:

Telephone #:
Facsimile #:
E-mail Address:
Express Mail Address:
Express Mail Authorization Code:

REQUEST Name:

REQUEST Country:

Check appropriate description:

_____ The investigation/prosecution to which this request relates may result in the forfeiture of assets that may be the subject of sharing with a foreign government that provides assistance.

_____ The investigation/prosecution to which this request relates will not result in the forfeiture of assets that may be the subject of sharing with a foreign government that provides assistance.

_____ Whether the investigation/prosecution to which this request relates will result in the forfeiture of assets that may be the subject of sharing with a foreign government that provides assistance is unknown at this time. However, should assets be forfeited that can be attributed to assistance provided by a foreign government, I will advise the Office of International Affairs and the Asset Forfeiture and Money Laundering Section so that sharing of these assets can take place.



STORED WIRE & ELECTRONIC COMMUNICATIONS QUICK REFERENCE GUIDE

(REFLECTING 2001 UPDATES FROM P.L. 107-56, USA PATRIOT ACT)

	Voluntary Disclosure Allowed?		Mechanisms to Compel Disclosure	
	Public Provider	Non-Public Provider	Public Provider	Non-Public Provider
Basic subscriber, session & billing information†	No, unless §2702(c) exception applies [§ 2702(a)(3)]	Yes [§ 2702(a)(3)]	Subpoena; 2703(d) order; or search warrant [§ 2703(c)(2)]	Subpoena; 2703(d) order; or search warrant [§ 2703(c)(2)] [§ 2711(2)]
Other transactional and account records	No, unless §2702(c) exception applies [§ 2702(a)(3)]	Yes [§ 2702(a)(3)]	2703(d) order or search warrant [§ 2703(c)(1)]	2703(d) order or search warrant [§ 2703(c)(1)]
Retrieved communications‡ and content of other stored files	No, unless § 2702(b) exception applies [§ 2702(a)(2)]	Yes [§ 2702(a)(2) and § 2711(2)]	Subpoena with notice; 2703(d) order with notice; or search warrant [§ 2703(b)]	Subpoena; ECPA doesn't apply [§ 2711(2)]
Unretrieved communications‡ (in electronic storage more than 180 days)	No, unless § 2702(b) exception applies [§ 2702(a)(1)]	Yes [§ 2702(a)(1)]	Subpoena with notice; 2703(d) order with notice; or search warrant [§ 2703(a,b)]	Subpoena with notice; 2703(d) order with notice; or search warrant [§ 2703(a,b)]
Unretrieved communications‡ (in electronic storage 180 days or less)	No, unless § 2702(b) exception applies [§ 2702(a)(1)]	Yes [§ 2702(a)(1)]	Search warrant [§ 2703(a)]	Search warrant [§ 2703(a)]

† See 18 U.S.C. § 2703(c)(2) for listing of information covered. For telephone communications, the section includes, among other records, local and long distance connection records. For Internet connections, the section includes, among others, records of session times and durations, and IP address assigned to the user during the session.

‡ Includes the content of voice communications.

Computer Crime and Intellectual Property Section ★ United States Department of Justice
P.O. Box 887 ★ Ben Franklin Station ★ Washington, D.C. 20044-0887
Main (202) 514-1026 ★ Fax (202) 514-6113 ★ www.cybercrime.gov

The United States of America, by Peggy A. Lautenschlager, United States Attorney for the Western District of Wisconsin, by Timothy M. O'Shea, Assistant United States Attorney for that district, hereby makes application for an order pursuant to Title 28, United States Code, Section 1651, the All Writs Act, directing Amherst Telephone Company and AT&T Worldnet to temporarily interrupt outside access to Sports Spectrum Internet Services during execution of the search warrant. As set forth in the following paragraphs, the United States submits that this temporary interruption will effectuate the Court's order directing federal law enforcement officers to search the premises at 2971 Highway 161, Nelsonville, Wisconsin and will prevent persons outside that location from accessing computers therein and destroying, removing and/or

encrypting data.

1. On today's date, the United States submitted to the Court a search warrant application for the premises at 2971 Highway 161, Nelsonville, Wisconsin. The facts alleged in the accompanying affidavit are incorporated into this application as if fully set forth herein. As indicated in the affidavit, 2971 Highway 161, Nelsonville, Wisconsin, is a building which houses a number of businesses to include Sports Spectrum Internet Services. Sports Spectrum Internet Services is an Internet Service Provider which provides Internet access to the public. The investigation, as explained in the affidavit, has established probable cause to believe that Sports Spectrum Internet Services is owned by the targets of this investigation and has been used as an information conduit between the targets, their employees, and the two illegal off-shore sports bookmaking and gambling businesses, Gold Medal and Seven Palms.

2. To protect the privacy rights of innocent customers of Sports Spectrum Internet Services, the computer specialists assisting the investigating agents have adopted a specific protocol wherein they will attempt to isolate the Internet Service computers from the remaining computers at Sports Spectrum. Those Internet Service computers, if searched at all, will be searched in the conservative manner described in the search warrant affidavit. If the Internet Service computers can be successfully isolated, the agents will, as soon as possible, return those Internet computers to service, thereby restoring service to customers.

3. Generally available encryption programs exist which permit users to encrypt data with a single keystroke or command. Data encrypted with some of the

generally available encryption software products can only be decrypted--if at all--after months or years of forensic analysis. Moreover, the investigation indicates that Sports Spectrum employees can access the Sports Spectrum Internet Services computers from other locations. That remote access is made through connections to the Internet provided by Amherst Telephone Company and AT&T Worldnet.

4. To effectuate this Court's search order and to prevent persons outside 2971 Highway 161, Nelsonville, Wisconsin from accessing computers therein and destroying, removing and/or encrypting data, the United States respectfully requests that this Court direct Amherst Telephone Company and AT&T Worldnet to temporarily interrupt the Internet connection or connections to Sports Spectrum Internet Services during execution of the search warrant and to re-establish the connection promptly when notified by Federal law enforcement officers executing the search.

5. It is further requested that the Court direct that no agents or employees of the Amherst Telephone Company or AT&T Worldnet make any disclosure of this interruption or this Application and accompanying Order and that Clerk of Court seal this Application and Order until further order of the Court.

Dated this ____ day of April, 2000.

Respectfully submitted,

PEGGY A. LAUTENSCHLAGER
United States Attorney

By:

TIMOTHY M. O'SHEA
Assistant United States Attorney

JAN 24 2000

Case No. 00M17

2-10-68

2. This affidavit is based on my investigation, as well as investigation by other federal law enforcement officers, in particular, Michael Zeihen, a federal law enforcement officer

employed for sixteen years as a Special Agent with the United States Treasury Department, Internal Revenue Service, Criminal Investigation Division (hereafter IRS-CID).

3. I submit this affidavit in support of an application for an order authorizing the interception of electronic communications concerning federal felony offenses as authorized by Title 18, United States Code, Section 2516(3), namely: (1) Title 18, United States Code, Section 1084, transmission of wagering information; (2) Title 18, United States Code, Section 1956(a)(1)(A)(ii), money laundering to evade taxation; (3) Title 18, United States Code, Section 1956(a)(1)(B)(i), money laundering to disguise ownership and control of proceeds of a specified unlawful activity; (4) Title 18, United States Code, Section 1952, use of a facility, in interstate or foreign commerce, to manage a business enterprise involving gambling; and (5) Title 18, United States Code, Section 371, conspiracy to commit the above-described offenses.

SUMMARY

4. The proposed electronic communications intercept relates to Internet communications sent among three businesses owned or controlled by Duane K. Pedde and Jeffrey A. D'Ambrosia, namely, Sports Spectrum, located in Nelsonville, Wisconsin and two off-shore sports bookmaking businesses, Gold Medal Sportsbook and Casino (hereafter Gold Medal) and Seven Palms Casino and Sports Book (hereafter Seven Palms), both located on the Island of Curacao in the Netherlands

Antilles.¹ Duane K. Pedé and Jeffrey A. D'Ambrosia, through Gold Medal and Seven Palms, take wagers on sports contests from bettors in the United States using "wire communication facilities," that is, over the Internet and/or telephone systems in violation of Title 18, United States Code, Section 1084. As described below, probable cause exists to believe that Duane Pedé, or his and D'Ambrosia's employees at Sports Spectrum, engage in electronic communications in furtherance of the conspiracy described herein with the two Curacao sports book operations over the Internet from Nelsonville, Wisconsin. It is this flow of cyber-data between Wisconsin and Curacao-- concerning the off-shore sports book operations--that this affidavit and attached application seek to intercept. Pedé and D'Ambrosia have ownership interests in four Nelsonville, Wisconsin businesses which are discussed below: Sports Spectrum, Sports Spectrum Internet Services, The Scoreboard and Signature Press. Through these businesses, Pedé and D'Ambrosia promote and facilitate the two illegal off-shore sports bookmaking businesses, Gold Medal and Seven Palms, which are located in Curacao and are described below as well.

5. As explained fully below, this intercept is requested because the use of other investigative procedures is unlikely to result in the capture of wagering records and other information sought. Probable cause exists to believe that betting records are stored on computers located at Gold Medal and Seven Palms. These

¹ The Netherlands Antilles is an autonomous territory of the Netherlands consisting of six islands in the West Indies. The Island of Curacao lies between Puerto Rico to the north and the coast of Venezuela, approximately 40 miles to the south.

businesses, however, are in the Netherlands Antilles, beyond the reach of surveillance, federal subpoenas or search warrants issued by a United States District Court. Further, while duplicate bookmaking records are possibly also stored at Sports Spectrum in Wisconsin, based on my knowledge and experience concerning illegal gambling operations, and that of other law enforcement officers, it is much more likely that this cyber-data is promptly destroyed (deleted) after the accounts and volume of wagers are verified. Thus, even if search warrants in Wisconsin could be properly timed and targeted, they would be unlikely to result in the recovery of sufficient identifying information about all the participants to the crimes, reveal the total scope of the criminal operations, or show the locations of illegal proceeds. I believe that search warrants at this time would be more likely to compromise the investigation by alerting the targets of the investigation, thereby allowing them and unidentified co-conspirators to hide illegal proceeds, frustrate the investigation and insulate themselves from successful detection.

6. Below, seven different but interrelated businesses are described. Probable cause exists to believe that all seven businesses are owned or controlled by Pede and D'Ambrosia and that they coordinate the businesses to facilitate the illegal offshore bookmaking enterprises.

Gold Medal Sportsbook and Casino

7. On August 8, 1996, Gold Medal was registered with the Curacao Chamber of Commerce. The registration lists Duane K. Pede as the "statutory and managing director." Gold Medal's business address

is Bon Bini Business Center, Unit J, Schottegat Weg Oost, #10, Willemstad, Curacao, Netherlands Antilles (formerly located at Bapor-Kibra, Suite 6A, Willemstad, Curacao, N.V.). Information obtained from witnesses and documentary material obtained during this investigation indicates that Duane K. Pede and Jeffrey A. D'Ambrosia are Gold Medal's two principal owners and that eleven other undisclosed persons own smaller shares.

8. Gold Medal's wagering activities violate Title 18, United States Code, Section 1084 because its Curacao employees knowingly accept bets in interstate and foreign commerce, over toll-free telephone betting lines, from persons who are physically located in areas of the United States where sports gambling is prohibited. It is believed, based on this investigation, that Gold Medal accepts annual gross wagers exceeding 150 million dollars² and that the vast

² This conservative estimate is based on evidence seized in connection with two search warrants, one executed at the California office of Bruce Furst and the other at the Florida office of Attorney David Tedder. Both Furst and Tedder are discussed in more detail later in the affidavit. In a January 20, 1998 facsimile from Tedder found at Furst's office, Tedder advises that Gold Medal will have an average weekly cash flow through Western Union of \$300,000 to \$600,000 and that the cash flow would peak the week before the Super Bowl at \$2,000,000 or \$3,000,000. Western Union, however, is only one among several methods used to transfer money to Gold Medal.

Further, Special Agent Zeihen found a 1998 valuation of Gold Medal among the documentary evidence found at Tedder's office. The valuation reflected Gold Medal's income stream for the years 1996, 1997 and the first three months of 1998. Gold Medal collects ten percent--the "vigorish"--only from losing bettors. I know, and Special Agent Zeihen knows, from experience that bookmakers do not gamble themselves on the outcome of a contest, but rather structure the "line" to balance the wagers between winning and losing bettors. Thus, the income reflects ten percent of half the total gross wagers. Thus, I believe that the 1996 income of \$687,981 reflects gross wagers of approximately

majority of these wagers come from bettors living in the United States. As described in detail below, probable cause exists to believe that Pede and D'Ambrosia launder income from Gold Medal through a series of bank accounts in the Bahamas, Ireland and the United States to conceal the nature and source of the income and to avoid taxation. Evidence described within this affidavit reveals that Gold Medal's illegal gambling activities and the laundering of proceeds therefrom are promoted and controlled by Duane K. Pede and Jeffrey A. D'Ambrosia, personally and via their domestic businesses described below, namely: The Scoreboard, Inc.; Sports Spectrum, LLC.; Sports Spectrum Internet Services; NSN, Inc.; and Signature Press.

Seven Palms Casino and Sports Book

9. Probable cause exists to believe that Pede, or his and D'Ambrosia's Sports Spectrum employees, use the Internet to engage in communications in furtherance of the conspiracy described herein with Seven Palms Casino and Sports Book, a second Curacao sports bookmaking operation. The business address for Seven Palms is Bon Bini Business Center, Unit H, Schottegat Weg Oost, #10, Willemstad, Curacao, Netherlands Antilles. (Note that Gold Medal's address is Unit J in the same building.) In a brochure obtained on June 25, 1999, Seven Palms billed itself as "a full service sports book" ... "licensed by the Government of the Netherlands Antilles and an active member of the Interactive Gaming Council." The brochure states that Seven Palms offers sports betting and games of chance--such as

\$13,759,620 (Pede and D'Ambrosia opened Gold Medal on August 8, 1996); the 1997 income of \$8,644,174 reflects gross wagers of approximately \$172,883,480.

blackjack and roulette--over the Internet. The Seven Palms brochure was sent in an envelope from The Scoreboard in Wisconsin. The bulk rate postage mark stated "U.S. Postage Paid - Signature Press." On December 1, 1999, Special Agent Richard Zeihme, IRS-CID, spoke with a Gold Medal employee who answered the toll-free betting line. First, this employee told Zeihme that Gold Medal and Seven Palms were the same company; the employee then clarified his statement saying that Gold Medal and Seven Palms were different companies but had the same owners. Internet service to both Seven Palms and Gold Medal is supplied by SAVVIS Communications, an international Internet Service Provider, headquartered in St. Louis, Missouri. Between June 2, 1999 and January 15, 2000, there have been 40,193 Internet communications between Sports Spectrum Internet Services, Pedes's Wisconsin business, and Seven Palms in the Netherlands Antilles.

10. Probable cause exists to believe that Seven Palms is engaged in wagering activities that violate Title 18, United States Code, Section 1084 because it has solicited bettors to place wagers on sporting events in interstate and foreign commerce over the Internet, a wire communication facility, knowing that the solicitations were sent to persons who are physically located in areas of the United States where sports gambling is prohibited. Probable cause exists to believe that Seven Palms' illegal gambling activities are promoted and controlled by Duane Pedes, personally and via his domestic business interests, namely: Sports Spectrum; Sports Spectrum Internet Services; and Signature Press.

Sports Spectrum

11. In 1995, Duane Pedé and Jeffrey D'Ambrosia merged two sports information or "tout" services, namely, The Scoreboard, owned by Pedé, and NSN, owned by D'Ambrosia, to form an umbrella corporation, Sports Spectrum, LLC. (hereafter Sports Spectrum). Sports Spectrum is incorporated in both Wisconsin and Nevada. In Articles of Incorporation filed with the State of Wisconsin on July 20, 1995, Pedé is listed as the registered agent of Sports Spectrum. The Wisconsin business address for Sports Spectrum is 2971 Highway 161, Nelsonville, Wisconsin. State of Wisconsin records indicate that Sports Spectrum may have as many as sixty employees.

12. In Articles of Incorporation filed with the State of Nevada on June 30, 1995, D'Ambrosia is listed as the registered agent for Sports Spectrum. In the Nevada Articles of Incorporation, NSN Corporation is listed as Sports Spectrum's president; The Scoreboard is listed as Sports Spectrum's secretary.

Sports Spectrum Internet Services

13. Sports Spectrum Internet Services is an Internet Service Provider³ providing Internet access to the public. Sports Spectrum Internet Services is a subsidiary of Sports Spectrum, which is owned by Pedé and D'Ambrosia. Sports Spectrum Internet Services is located at 2971 Highway 161, Nelsonville, Wisconsin, the same building which houses Sports Spectrum and The Scoreboard, described below. Lexis-Nexis checks reveal that Duane Pedé is the registered agent for

³ An Internet Service Provider, or ISP, provides accounts that individuals, businesses and organizations can use to access the Internet. In the United States, for example, America Online (AOL) is a popular commercial Internet Service Provider.

Sports Spectrum Internet Services. On April 8, 1999, Special Agent Zeihen accessed the Sports Spectrum Internet Services web site. The Sports Spectrum Internet Services web site states "July 1, 1997 - Sports Spectrum On-Line *** Sports Spectrum, a Wisconsin Corporation formed in 1985, is on the Internet." The web site features advertisements for and hyperlinks to two of Pede and D'Ambrosia's businesses described below, The Scoreboard and Signature Press. As also described below, probable cause exists to believe that Pede or his employees use Sports Spectrum Internet Services to communicate with and manage the illegal off-shore sports book operations at Gold Medal and Seven Palms both located in the Netherlands Antilles.

14. The requested interception relates to electronic communications over the Internet between Sports Spectrum Internet Services in Wisconsin and five Internet Protocol (IP) addresses--specifically, 216.91.119.10; 216.91.119.36; 216.91.119.37; 216.91.119.41; and 216.91.119.43--which are serviced by SAVVIS Communications, an international Internet Service Provider headquartered in St. Louis, Missouri. Probable cause exists to believe that the five IP addresses in question are related to Gold Medal and Seven Palms, the targeted Curacao sports bookmaking enterprises. Four of the IP addresses have domain names associated with them, specifically: for 216.91.119.36, the domain name is www.7palms.com; for 216.91.119.37, the domain name is www.sevenpalms.com; for 216.91.119.41, www.goldmedalsports.com; and

for 216.91.119.43, mail.sevenpalms.com.⁴ These electronic communications pass through a number of electronic communications service systems while being transported between Wisconsin and Curacao. Internet communications between Sports Spectrum Internet Services in Wisconsin and the five SAVVIS Communications IP addresses pass through a central choke-point, AT&T Worldnet, 10 South Canal Street, Chicago, Illinois, where the proposed intercept would take place.

The Scoreboard

15. Within the same building housing Sports Spectrum and Sports Spectrum Internet Services, 2971 Highway 161, Nelsonville, Wisconsin, Duane Pede operates a tout service business, called The Scoreboard, Inc. (hereafter The Scoreboard). On July 16, 1985, Articles of Incorporation for The Scoreboard were filed at the Wisconsin Secretary of State listing Duane Pede as the registered agent. As noted above, The Scoreboard is a subsidiary of Sports Spectrum. On February 13, 1998, Special Agent Zeihen interviewed Pede at The Scoreboard in connection with a separate investigation involving a man named Daniel Knutowski. On July 22, 1998, Knutowski was convicted in the Western District of Wisconsin of cocaine distribution and filing false tax returns. Knutowski was also an admitted sports bookmaker and Zeihen was investigating Knutowski's

⁴ A domain name refers to the English-readable name of the Internet Protocol address or IP address, which is a numerical address for computers connected on the Internet. The only difference between the IP address and domain name is that one is represented numerically, and the other is in English-readable form.

bookmaking when he spoke with Pedo. Pedo described the tout service business as selling up to the minute Las Vegas betting "lines" and tips on which teams or individuals would win specific sporting events.

16. The several tout services discussed herein claim to offer for sale to their customers purported "inside information" on sporting events which the customers can use to win when wagering on sporting events. Each tout service, NSN and The Scoreboard, markets itself under a number of names, for example, each of the following services, "Mike Wynn Sports," "Dr. Ron Bash," "Former Pro QB Dan Pastorini" or "Sam Sharp" are all part of The Scoreboard or its umbrella corporation, Sports Spectrum. As described below, Pedo and D'Ambrosia use their "tout" businesses to promote their off-shore sports book operation.

NSN, Inc.

17. Jeffrey A. D'Ambrosia operates a sports information (tout service) business, called NSN, Inc. (hereafter NSN), at 5025 South Eastern Avenue, #27, Las Vegas, Nevada. Nevada's Secretary of State's corporate records reveal that NSN was incorporated on June 18, 1987 and that Jeffrey A. D'Ambrosia is the registered agent. NSN is now a subsidiary of Sports Spectrum.

Signature Press

18. Pedo and D'Ambrosia, with others, own a printing company, Signature Press, located at 3261 Highway 161, Nelsonville, Wisconsin. As described below, the printing company and the several "tout" services are used by Pedo and D'Ambrosia to market, advertise and

promote Gold Medal and Seven Palms, the off-shore sports bookmaking enterprises. Pede, D'Ambrosia, Gold Medal, Seven Palms, The Scoreboard, NSN, Sports Spectrum, Sports Spectrum Internet Services and Signature Press are all targets of a grand jury investigation in the Western District of Wisconsin.

DURATION OF REQUESTED INTERCEPTION

19. The requested order is sought for a period of time until the interception fully reveals the manner in which the above-named individuals and businesses participate in the above-described offenses, or for a period of thirty (30) days, whichever is shorter. Pursuant to Title 18, United States Code, Section 2518(5), it is further requested that the time set forth in the order run from the day on which the investigative or law enforcement officer first begins to conduct the interception pursuant to the Court's order, or ten (10) days from the date of the order, whichever is earlier.

SUBJECTS AND OFFENSES

20. Probable cause exists to believe that Duane K. Pede, Jeffrey A. D'Ambrosia, Sports Spectrum, The Scoreboard, NSN, Sports Spectrum Internet Services, Signature Press, Gold Medal and Seven Palms and other individuals and businesses as yet unconfirmed, have committed, are committing, and will continue to commit the following offenses: (1) Title 18, United States Code, Section 1084, interstate wire transmission of wagering information; (2) Title 18, United States Code, Section 1956(a)(1)(A)(ii), money laundering to evade taxation; (3) Title 18, United States Code, Section 1956(a)(1)(B)(i), money laundering to disguise ownership and control

of proceeds of a specified unlawful activity; (4) Title 18, United States Code, Section 1952, use of a facility, in interstate or foreign commerce, to manage a business enterprise involving gambling; and (5) Title 18, United States Code, Section 371, conspiracy to commit the above-described offenses.

OBJECTIVES

21. There is probable cause to believe that interception of electronic communications of the subjects identified above, the authorization for which is sought herein, will reveal:

- (a) the nature, extent and methods of operation of Duane K. Pede, Jeffrey A. D'Ambrosia and others as yet unknown involved in the transmission of wagering information, money laundering to evade taxation, money laundering to disguise ownership and control of proceeds, use of a facility, in interstate or foreign commerce, to manage a business enterprise involving gambling and conspiracy to commit the above-described offenses;
- (b) the identities and roles of accomplices, aiders and abettors and co-conspirators in the illegal activities;
- (c) the locations and facilities used in furtherance of those activities;
- (d) the existence and locations of records evidencing the above-described offenses;
- (e) the location and disposition of the proceeds from those activities; and

- (f) the identities, locations and betting histories of gamblers who have wagered with Gold Medal and Seven Palms and thus may be witnesses in criminal proceedings.

In addition, these electronic communications are expected to constitute admissible evidence of the commission of the above-described offenses.

ELECTRONIC COMMUNICATIONS FACILITY

22. There is probable cause to believe that Duane K. Pedo, Jeffrey A. D'Ambrosia and others yet unknown have used, are using and will continue to use, during the period of interception applied for herewith, a connection at AT&T Worldnet, 10 South Canal Street, Chicago, Illinois, to transmit and receive electronic communications in connection with the above-described offenses. The AT&T Worldnet facilities are a series of electronic switches and routers that carry and direct electronic communications between the two Internet service providers in question, Sports Spectrum Internet Services, owned by Pedo and D'Ambrosia and located in Nelsonville, Wisconsin, and SAVVIS Communications, which provides Internet Service for the five IP addresses used by Gold Medal and Seven Palms. As described in the Minimization Section below, the interception will be limited to electronic communications between Pedo and D'Ambrosia's business, Sports Spectrum Internet Services in Nelsonville, Wisconsin, and the five SAVVIS Communications IP addresses identified as relevant to this investigation.

23. The connection is located at AT&T Worldnet, 10 South Canal Street, Chicago, Illinois, and any interception of electronic

communications would be conducted at that location with the assistance of AT&T Worldnet.

BACKGROUND OF INVESTIGATION

24. The Wisconsin investigation began in February 1998. The evidence that this affidavit is based on will be referred to in the body of this affidavit or by footnote. Four categories of evidence, however, are highlighted at the outset:

- (a) Evidence obtained in connection with other federal criminal investigations, specifically: an investigation in the Western District of Wisconsin concerning Daniel Knutowski, a bookmaker and cocaine distributor; an investigation in the Eastern District of Missouri concerning Paradise Casino, another Curacao bookmaking enterprise; and a Middle District of Florida money laundering investigation concerning Attorney David Tedder⁵, believed to have laundered illegal proceeds for several off-shore casinos.
- (b) An ongoing undercover operation, beginning on January 13, 1999 and continuing through January 14, 2000, wherein two Internal Revenue Service-Criminal Investigation Division agents within the United States have placed--over toll-free telephone lines and the Internet--a total of 50 bets with Gold Medal reflecting \$32,200 in gross wagers and have received sports book information from Gold Medal Sports, all evidencing violations of Title 18, United States Code,

⁵ As the investigation continues, David Tedder may be added to the list of Western District of Wisconsin targets in relation to the suspected money-laundering.

Sections 371 (conspiracy) and 1084 (interstate wire transmission of bets and wagering information).

- (c) Evidence obtained from telephone companies and Internet service providers to include evidence resulting from a Court-ordered trap and trace monitoring of Internet communications between Sports Spectrum Internet Service, Seven Palms and Gold Medal.
- (d) Financial information relating to Pedo, D'Ambrosia, their businesses and the laundering of illegal gambling proceeds.

PROBABLE CAUSE TO BELIEVE THAT CRIMES ARE BEING COMMITTED AND THAT PEDE OR HIS AND D'AMBROSIA'S SPORTS SPECTRUM EMPLOYEES ARE USING THE INTERNET TO RUN THE SPORTS BOOK OPERATIONS

25. A summary of Gold Medal's organization and operation follows. The evidence demonstrates that Gold Medal is owned by Pedo and D'Ambrosia and that they formed it to illegally accept wagers from persons within the United States. The evidence also demonstrates that Seven Palms and Gold Medal have the same owners, namely, Pedo and D'Ambrosia. Your affiant relies on the following evidence to support these propositions:

- (a) On August 8, 1996, Gold Medal was registered with the Curacao Chamber of Commerce. Duane Pedo was listed as the registered agent for Gold Medal.
- (b) On April 27, 1998, John Edens was interviewed by federal law enforcement officers. On July 21, 1998, Bruce Furst was interviewed by federal law enforcement officers. These two men are targets of a separate St. Louis, Missouri grand jury investigation into their management roles at Paradise

Casino, another Curacao sports betting enterprise, and have proffered information pursuant to plea negotiations.

Although Furst and Edens were involved in a separate Curacao casino, that off-shore sports betting enterprise, Paradise Casino, was established at about the same time as Gold Medal and Edens and Furst are familiar with Gold Medal, Pede and D'Ambrosia. Both Furst and Edens separately identified Pede and D'Ambrosia as owners of Gold Medal. On December 3, 1999, AUSA Michael Fagan, of the United States Attorney's Office for the Eastern District of Missouri, advised that final prosecutorial decisions concerning Edens and Furst have not been made.

- (c) In June 1998, a search warrant was executed in connection with the Paradise Casino investigation at Bruce Furst's office in Laguna Hills, California. In addition to the Paradise Casino evidence, law enforcement officers recovered significant information concerning Gold Medal, Pede and D'Ambrosia. In sum, this evidence demonstrates Pede and D'Ambrosia's ties to Gold Medal, their use of international accounts to transfer large amounts of money and D'Ambrosia's knowledge that off-shore sports bookmaking over international telephone lines violated Title 18, United States Code, Section 1084. In particular:

- (i) In a file marked "Gold Medal," agents found Pede's telephone number and address at Sports Spectrum in Nelsonville, Wisconsin and a December 5, 1997 document

indicating that the person had spoken with "Dwayne" (sic) who said they were close to a third license on the island.

(ii) Agents also found a file marked "J.A. Working file." Based on this investigation, I know that D'Ambrosia often uses his middle name, Allen, as his surname. Within the file are notes referring to: meeting "J.A." in Las Vegas; that he has equal voting stock with "Dwayne" (sic); and the transfer of money between "J.A.," an account labeled "Westtel" (sic) and "Gold Medal." Evidence discussed below indicates that the Westel account is associated with David Tedder's money laundering scheme.

(iii) Agents also found a file labeled "J.A. Gia / Loan File" containing records documenting a loan from "Jeff Allen" to a woman named Gia D'Errico. Special Agent Zeihen has examined foreign and domestic bank records relating to this loan obtained through grand jury subpoena and a separate search warrant executed at the Florida office of Attorney David Tedder. Based on these records, there is probable cause to believe that the D'Errico loan represented illegal gambling proceeds from Gold Medal.

(iv) A March 31, 1998 facsimile was sent to Bruce Furst from "Jeff Allen" at Allen Communications (a Lexis-Nexis search indicated that Jeffrey D'Ambrosia is the

president and registered agent for Allen Communications). D'Ambrosia sent by facsimile an article titled "Internet Law." The facsimile banner at the bottom of the pages of the article indicated that it was previously sent from Gold Medal Sports and listed Gold Medal's facsimile telephone number. This article indicates D'Ambrosia's knowing and intentional violation of Title 18, United States Code, Section, 1084, as the article, sent to Furst by D'Ambrosia, states among other things, "[t]here is little doubt that engaging in offshore sports betting operations by telephonic communications is illegal under Sec. 1084."

- (d) In June 1998, a search warrant was executed in connection with a separate money laundering investigation involving Attorney David Tedder at Tedder's office in Longwood, Florida. (Before law enforcement review in connection with this case, the material was reviewed by a Special Master appointed by the United States District Court for the Middle District of Florida. The Special Master determined that no attorney-client privilege attached to the evidence referenced herein.) In addition to the evidence that Tedder laundered illegal proceeds for a number of clients, law enforcement officers recovered significant information concerning Gold Medal, Pede and D'Ambrosia. In sum, this evidence indicated Pede and D'Ambrosia's ownership and control of Gold Medal and that they used Tedder's "deferred

compensation" plan to launder Gold Medal proceeds. In particular:

- (i) A December 30, 1997 facsimile containing the August 8, 1996, Articles of Incorporation for Gold Medal. The articles list Duane Pede as the managing director of Gold Medal. One of the stated objects of the corporation is to "operate games of chance on the international market via service lines."
- (ii) A file marked "Deferred Compensation Client List" contains a spread sheet with entries for "Jeff D'Ambrosia" and "Duane Pede." A handwritten notation at the bottom of the page states "Gold Med_1 @ \$1,900,000."
- (iii) A December 30, 1997 facsimile from "Duane Pede - Gold Medal" sent with a cover sheet from "The Scoreboard," to Catherine Vergopia including a "Corporate Certificate" for Gold Medal, signed by Pede as President, and Pede's demand for Surety Bank and Trust to transfer \$1,900,000 from Gold Medal account number 20087 to Personal Leasing Services Inc., account number 20013.
- (iv) A December 30, 1997 facsimile, the first page of which appeared to be a handwritten note from Jeffrey D'Ambrosia to a "Tony" which states "Grand Northstar to PLSI (believed to be Personal Leasing Services Inc.) = \$275,156.96; Westel to PLSI = \$100,000.00;

Jeffrey D'Ambrosia to PLSI = \$150,000.00. Wires should be there by lunch Wed. Faxed Tues @ 5 pm EST. Jeffrey D'Ambrosia. Did I miss anything?" (underline in original). This note is followed by three typed letters directing that U.S. funds be wire transferred as follows: from ABN Bank, \$150,000.00 to Colonial Bank, Orlando, Florida, credit to Personal Leasing Services Inc., account # 041409142; from Westel Corporation, N.V., \$100,000.00 to Colonial Bank, Orlando, Florida, credit to Personal Leasing Services Inc., account # 041409142; from Westel Corporation, N.V., \$50,000.00 to Union Bank, Laguna Hills, California, credit to Challenge Realty, account number 0690022990.

- (v) Files containing agreements for Gold Medal to "lease" the services of Duane Pede from Personal Leasing Services; handwritten charts listing Pede's business interests to include Gold Medal, The Scoreboard, Sports Spectrum, NSN and Signature Press; and an analysis of income and worth of D'Ambrosia's business interests to include NSN, "Sports Spectum (sic)," and Gold Medal.
- (e) Special Agent Michael Zeihen checked United States Customs border crossing and American Airlines records and found that Pede, D'Ambrosia and a man named Sam Polito (an NSN / Sports Spectrum employee), traveled from Curacao to Miami